

RISK MANAGEMENT FRAMEWORK

MINISTRY OF FINANCE, ECONOMIC PLANNING

AND

DEVELOPMENT



NOVEMBER 8, 2023

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Preface

This Framework has been developed in response to the requirements for the establishment of formal risks management structures.

Risk management is a fundamental element of corporate governance. Risk is associated with possible events which, should they occur, could prevent the Ministry from fulfilling its mission, meeting its commitments and achieving its objectives. Risks may adversely affect the Ministry's strategy, people, assets, environment or reputation.

A structured and systematic approach to managing risks and opportunities is more effective and efficient as it:

- defines a process for systematically managing the risk of all activities and units in the Ministry;
- encourages a high standard of accountability at all levels;
- supports effective governance systems and reporting mechanisms;
- encourages a high standard of efficient and effective service delivery by taking advantage of opportunities for improvement; and
- allows the Ministry to better meet its stakeholders' needs and demands.

It is everyone's responsibility to be involved in the identification, evaluation and treatment of risks and opportunities that could impact or influence outcomes for the Ministry.

Interpretation

In this Framework,

“Audit Committee” is an integral element of public accountability and governance and plays a key role in assisting this Ministry and its Departments in their legal and fiduciary responsibilities, especially with respect to the integrity of the Government’s financial information and the adequacy and effectiveness of the internal control system.

“Likelihood” is the chances of something happening.

“Impact” is the outcome of an event affecting objectives.

“Operational Risk” is risk of loss or gain resulting from inadequate or failed internal processes, people and systems or from external events.

“Ministry” means the Ministry of Finance, Economic Planning and Development (MOFEPD) and its various Departments, Sections and Units.

“Inherent Risk” is the exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.

“Residual Risk” is the remaining risk after Management has put in place measures to control the inherent risk.

“Risk” means an unwanted outcome, actual or potential, to the institution’s service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present upside potential, which Management must be aware of and be prepared to exploit. This definition of “risk” also encompasses such opportunities.

“Risk Appetite” is the amount of residual risk that the Ministry is willing to accept.

“Risk Factor” is any threat or event which create, or has the potential to create risk.

“Risk Owner” is a person with the accountability and authority to manage the risk.

“Risk Register” is a record of information about identified risk.

“Risk Assessment” is the overall process of risk identification, risk analysis and risk evaluation.

“Internal Auditing” is to objectively and systematically evaluate the effectiveness of risk management, control and governance processes, provide assurance on the efficient use and management of resources within the Ministry/Departments. This function is carried out by the Internal Control Cadre.

“Project Risk” is risk relating to delivery of a service, change or product, usually within the constraints of required human capital/ expertise, time, technology, cost and quality.

“Strategic risk” is risk concerned with where the Ministry wants to go, how it plans to get there and how it can ensure resilience and sustainability.

The Risk Management Framework

Ministry of Finance, Economic Planning & Development			
Approved by	Approval Date	Effective date	Next Review
Financial Secretary			
Purpose	The Risk Management Framework provides the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Ministry.		
Scope	The Framework applies to the Ministry, including all its Departments/Units/Sections.		

1.0 Introduction

This Risk Management Framework provides the policies, procedures, organisational arrangements and the tools that will embed risk management throughout the Ministry at all levels. The Framework;

- outlines the Ministry’s risk management plan (**Appendix 2.0**);
- defines the roles and responsibilities for risk management within the Ministry;
- provides guidance on the risk management process; and
- explains the risk management recording and reporting requirements within the Ministry.

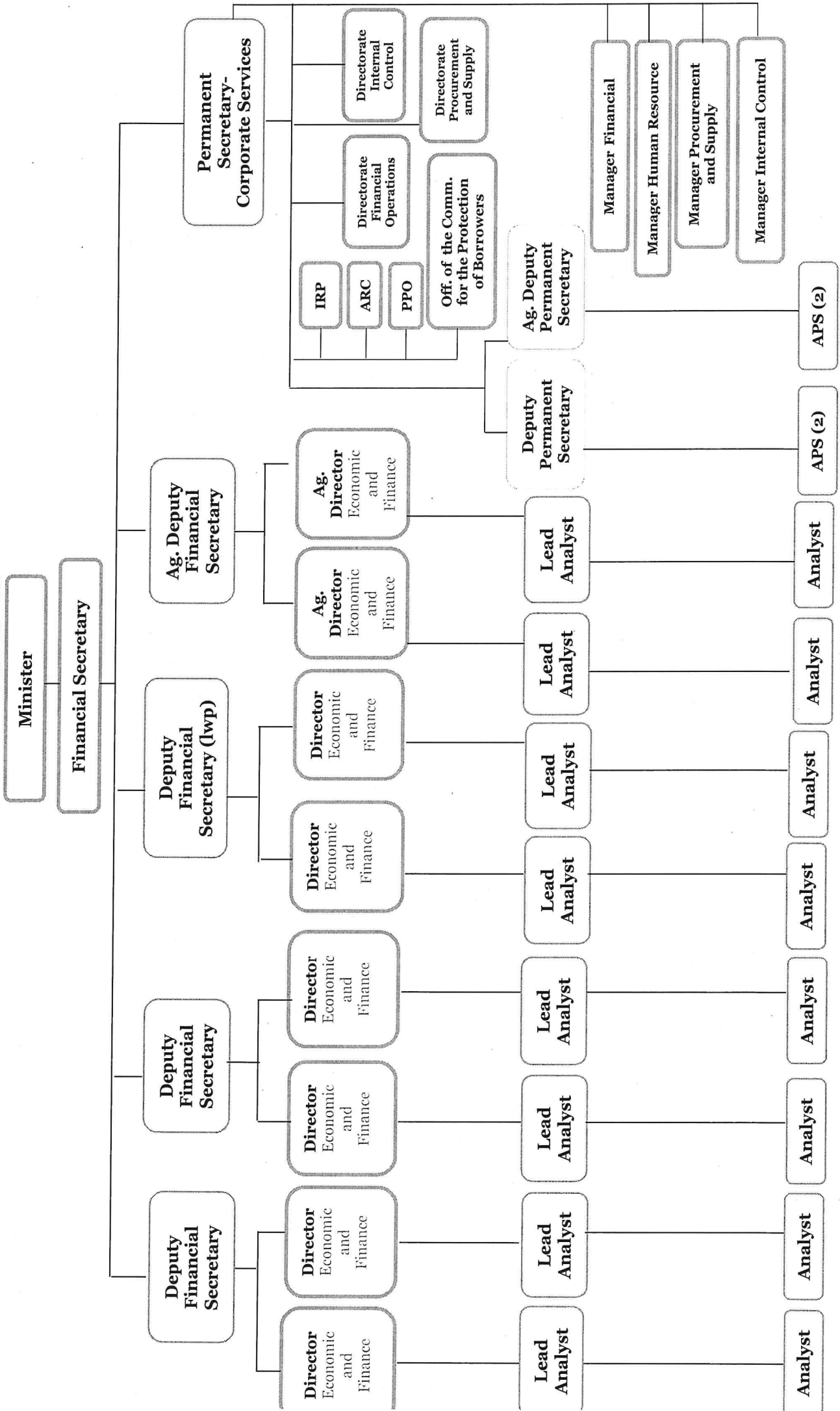
The risk management framework has been developed in line with;

- I. **Circular No 8 of 2021 – Guidelines for the establishment of Risk Management in the Public Sector** which is based on the essence of the ‘*ISO 31000- Risk Management*’ and best international practices; and
- II. **The Ministry’s Risk Management Policy**

The Risk Management Policy confirms the Ministry’s commitment to identify, assess and manage risks which may prevent the achievement of strategic goals and objectives. The policy defines how the Ministry will integrate risk

management into its organisational climate and culture, decision-making processes, programs, practices, business planning and performance reporting activities. The Ministry's Risk Management Policy is at **Appendix 1.0**. The Risk Management Policy is applicable to the whole Ministry as per organisational Structure.

Organisational Structure



2.0 Risk Management

Risk Management is a process made up of activities and actions taken to ensure that an organisation is conscious of risk it faces, makes coordinated and informed decisions in managing those risk and identifies potential opportunities. Risk management is about managing threats and opportunities.

Risk Management essentially means answering six basics questions, as follows:

1. What are we trying to achieve?
2. What might affect us in what we are trying to achieve?
3. Which of those things which have been identified might affect us, are the most important?
4. What should we do?
5. Did it work?
6. What changed?

3.0 The Approach to Managing Risks

In order to ensure an effective Risk Management that will create and protect value, the Ministry will:

- Integrate Risk Management at strategic, operational and project formulation and implementation levels;
- Customise the Risk Management to suit its requirements;
- Use the best available information to conduct the Risk Management;
- Consider organisational climate and cultural and the human factors when developing and implementing risk management;
- Adopt a structured and comprehensive approach to risk management to ensure consistency and comparability of results;

- Be inclusive, that is, will involve in a timely manner relevant stakeholders and will consider their knowledge, views and perceptions;
- Ensure synergies and dynamism that will respond, in a timely manner, to the changing environment; and
- Continually improve the process through learning and experience.

4.0 Accountability, Roles and Responsibilities

Risk Management is the responsibility of everyone at the Ministry. Accountability refers to the ultimate responsibility for actions, decisions, and management pertaining to the nominated activity. The roles and responsibilities of each stakeholder in managing risks are defined in the table below.

The Financial Secretary
<p>The Financial Secretary is accountable for the overall governance of risk. His roles and responsibilities include, <i>inter-alia</i>:</p> <p>(a) <i>setting an environment for effective management of risk;</i></p> <p>(b) <i>allocation of appropriate resources for risk management, including capacity building;</i></p> <p>(c) <i>ensuring that risk management is integrated in day-to-day activities;</i></p> <p>(d) <i>responsible for setting up of the appropriate internal structure and processes for risk management;</i></p> <p>(e) <i>designating relevant officials with the responsibility for developing and reviewing the Risk Management Framework;</i></p> <p>(f) <i>holding internal structures accountable for performance in terms of their responsibilities for risk management;</i></p> <p>(g) <i>approving the risk management policy, framework and implementation strategy plan;</i></p> <p>(h) <i>approving the Ministry's risk appetite and risk tolerance: and</i></p> <p>(i) <i>reporting/ disclosing on matters on risk management in the Annual Report of the Ministry.</i></p>

Risk Management Committee

(Committee set by the Financial Secretary for implementing & monitoring of Risk Management)

A Risk Management Committee has been set up at the Ministry's level for the implementation and monitoring of Risk Management. The Committee comprises the following officers:

SN	Name	Grades	Roles
1	Mrs. B. F. Abdool Raman Ahmed	Permanent Secretary	Chairperson
2	Mrs. S. Rama	Director, Economic and Finance	Member
3	Mr. M. Rawoteea	Director, Economic and Finance	Member
4	Mr. M. Bheekhee	Director, Economic and Finance	Member
5	Mr. S. J. A. A. Suhootoorah	Director, Economic and Finance	Member
6	Mrs. V. Pareatumbee	Director, Economic and Finance	Member
7	Mr. C. Paddia	Ag. Director, Economic and Finance	Member
8	Mrs. D. C. Y. Lan Hing Po	Ag. Director, Economic and Finance	Member
9	Mr. G. L'Entêté	Director of Project Implementation and Monitoring Agency	Member
10	Mr. R. S. P. Amourdon	Deputy Permanent Secretary	Member
11	Mr. D. Davasgaium	Ag. Deputy Permanent Secretary	Member
12	Mr. M. Unrodee	Director, Internal Control	Member
13	Mr. K. Chellapermal	Director, Financial Operations	Member
14	Mr. S. Pentayah	Ag. Director, Procurement and Supply	Member
15	Mr. P. Buchoo	Lead Analyst-PSIP	Member
16	Mr. C. Ramchurn	Lead Analyst-PIMU	Member
17	Mr. Clive Auffrey	Commissioner of Borrowers	Member
18	Mr. L. Bullywon	Clerk of Assessment Review Committee	Member
19	Mr. S. Hurry	Manager, Financial Operations	Member
20	Mrs. R. Ruchchan	Manager, Human Resources	Member
21	Mr. B. Mathurah	Manager, Procurement and Supply	Member

22	Mr. A. Rampersad	Secretary of Independent Review Panel	Member
23	Mr. V. Gujadhur	Senior System Analyst	Member
24	Mr. F. Jahangeer	Analyst/ Senior Analyst- PPO	Member
25	Ms. M. Beeharry	Temp. Assistant Permanent Secretary	Member
26	Mrs. R. Seebun	Temp. Assistant Permanent Secretary	Member
27	Mrs O.S. Soondur	Safety and Health Officer	Member
28	Ms. T. Boyjoonauth	Office Management Assistant	Member

The roles and responsibilities of the Risk Management Committee include:

- (a) *To prepare a risk management Implementation Strategy & Plan;*
- (b) *To prepare and circularise the Policy Statement and the Risk Management Framework in line with **Circular No. 8 of 2021 (MOFEPD)** and review same as per time frame set;*
- (c) *To identify capacity building needs and arrange for same;*
- (d) *To provide the necessary brainstorming session with Risk Owners;*
- (e) *To consolidate the Central Risk Register for the Ministry;*
- (f) *To report to Audit Committee and the Financial Secretary the outcome of the consolidation exercise and any matter on Risk Management;*
- (g) *To coordinate, monitor and review the risk management process on a regular basis;*
- (h) *To provide risk-related advice, review and channel risk information / decisions.*

Risk Owners

Officers, identified as Risk Owners as per paragraph 4.1, will have the following roles and responsibilities:

- (a) *To brainstorm with all staff on Risk Management;*
- (b) *To identify the risk controls and ratings as part of the risk assessment process;*
- (c) *To document all risks, risk assessment, control in place, risk rating and prepare a Risk Register as per pro-format provided;*
- (d) *To record and monitor implementation of related actions to manage risks in alignment with the requirements of the Framework;*
- (e) *To communicate and escalate risks to relevant stakeholders;*
- (f) *To review all risks on a quarterly basis; and*

(g) *To hand-over updated risk register to incoming responsible official.*

Other Staff

Staff posted in the different Units/Sections or Departments will have the following responsibilities:

- (a) *To participate in brainstorming exercise on Risk Management;*
- (b) *To provide support to Risk Owners in managing risks and engage in constructive risks mitigations;
and*
- (c) *To inform Risk Owners if coming across new or emerging risks during the year.*

Audit Committee

The Audit Committee will be responsible to, *inter-alia*:

- (a) *To review and recommend for the approval by the Financial Secretary the Risk Management Framework;*
- (b) *To review and recommend disclosures on matters of risk in the annual financial statements and risk management in the annual report;*
- (c) *To provide regular feedback to the Financial Secretary on the adequacy and effectiveness of risk management in the Ministry, including recommendations for improvement;*
- (d) *To ensure that the internal audit plans are aligned to the risk profile of the Ministry to address the following areas:*
 - (i) *financial reporting risks, including the risk of fraud;*
 - (ii) *internal financial controls; and*
 - (iii) *IT risks as they relate to financial reporting.*

Internal Audit

The roles of the Internal Audit in risk management are:

- (a) *To provide an independent, objective assurance on the effectiveness of the Ministry's system of risk management;*

(b) To evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary;

(c) To develop its internal audit plan on the basis of the key risk areas of the Ministry;

(d) To ascertain that the risk management processes put in place in the Ministry cover the following:

- Ministry's objectives and mission are aligned;*
- Significant risks are identified and assessed;*
- Risk responses are appropriate to limit risk to an acceptable level; and*
- Relevant risk information is captured and communicated in a timely manner to enable the Financial Secretary to carry out his responsibilities.*

4.1 Risk Owners

The following officers have been identified as Risk Owners:

SN	Departments/ Units/ Sections	Risk Owners
1	Economic and Finance	Mrs Subhashini Rama Director
2	Economic and Finance	Mr Mahess Rawoteea Director
3	Economic and Finance	Mr Sohail Javed Ahlaq Ahmad Suhootoorah Director
4	Economic and Finance	Mrs Vailamah Pareatumbee Director
5	Economic and Finance	Mr Christ Paddia Ag. Director
6	Economic and Finance	Mrs Denise Chin Yin Lan Hing Po Ag. Director
7	Project Implementation and Monitoring Agency	Mr Gilles L'Entête Director of Project Implementation and Monitoring Agency
8	Directorate Financial Operations	Mr Krishnaven Chellapermal Director, Financial Operations
9	Directorate Internal Control	Mr Mahendrananth Unrodee Director, Internal Control
10	Procurement Policy Office	Mr Hirendranath Rambhojun Director, Procurement Policy Office

11	Directorate Procurement and Supply	Mr Shyamdass Pentayah Ag. Director, Procurement and Supply
12	Deputy Permanent Secretary- Accommodation	Mr Rajagopalan Subramanien Pillay Amourdon Deputy Permanent Secretary
13	Ag. Deputy Permanent Secretary- Mission Cell	Mr Darmalingum Davasgaium Deputy Permanent Secretary
14	Public Sector Investment Programme Unit	Mr Pritveeraj Buchoo Lead Analyst
15	Public Investment Management Unit	Mr Cholakumar Ramchurn
16	Office of the Commissioner for the Protection of Borrowers	Mr Clive Auffrey Commissioner of Borrowers
17	Finance Section	Mr Sianduth Hurry Manager, Financial Operations
18	Human Resources	Mrs Radha Ruchchan Manager, Human Resources
19	Procurement and Supply	Mr Balmick Mathurah Manager, Procurement and Supply
20	Independent Review Panel	Mr Atmah Veer Ramparsad Secretary, Independent Review Committee
21	Assessment Review Committee	Mr Lutchmeeduth Bullywon Clerk, Assessment Review Committee
22	IT Unit	Mr Vinay Gujadhur Senior System Analyst

5.0 Risk Management Process – Overview

The risk management process involves the elements as illustrated in the Fig 1.0

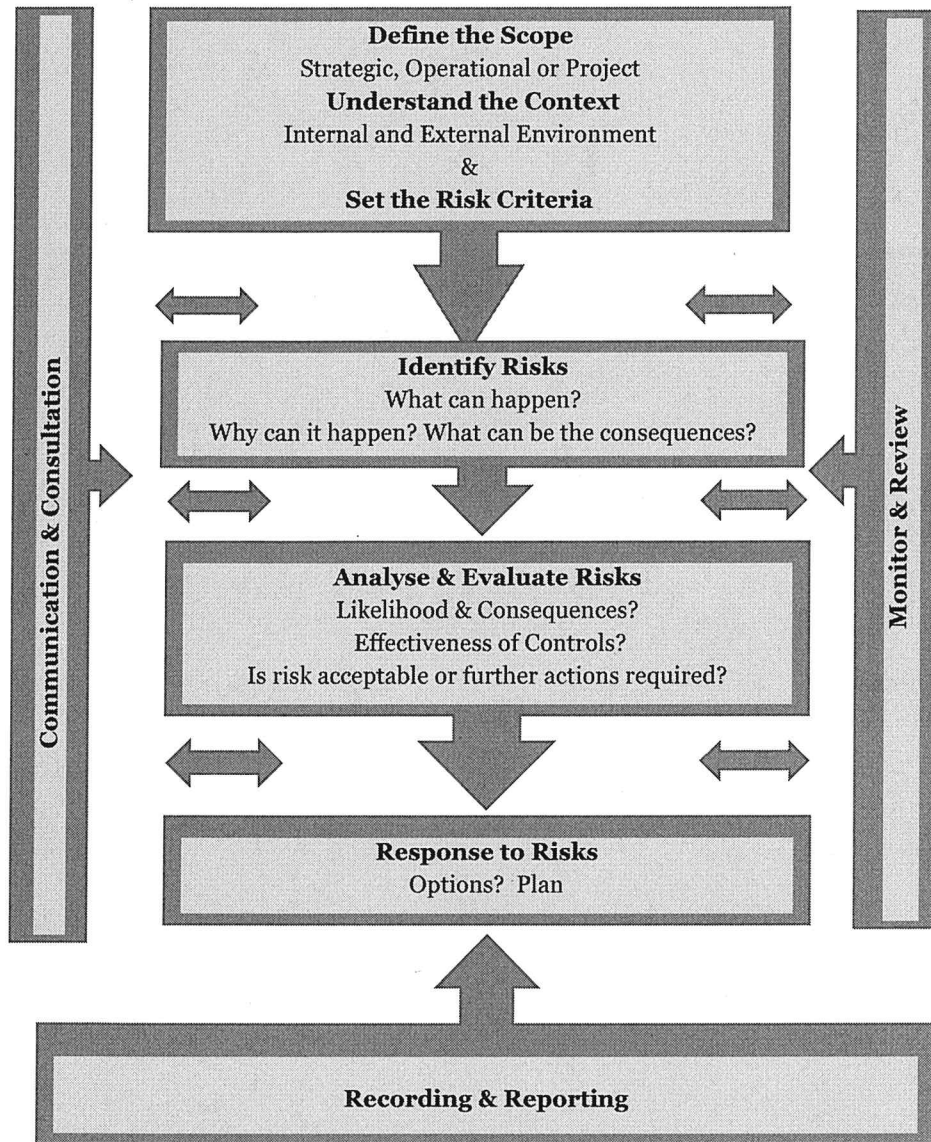


Fig 1.0

5.1 Risk Management Process- Methodology

The risk management process involves the systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the scope, context and criteria, assessing, treating, monitoring, reviewing, recording and reporting of risk (**Fig 1.0**).

The procedures as set out below should be followed when the different activities of the risk management process are conducted.

5.1.1 *Communication and consultation*

Communication and consultation should take place within and throughout the risk management process as outline in **Fig 1.0**, with relevant external and internal stakeholders to have a better understanding of risk which ultimately will provide:

- *the basis on which decisions will be made; and*
- *the reasons why particular actions will be required.*

For each step of the risk management process consideration should be given to bring different areas of expertise together.

5.1.2 *Scope, context and criteria*

The **scope** of the risk management activities comprises the following:-

- *Strategic;*
- *Operational (other activities); and*
- *Project formulation and implementation (programme).*

The relevant objectives that have been considered need to be aligned with the Ministry's objectives.

Only key risks which will have significant/material impact on the Ministry's strategic/operational/project objectives, categorised as medium or high, will be recorded in the Risk Register.

The **context**, external and internal environment, in which the Ministry operates and seeks to achieve its objectives, need to be thoroughly examined, understood and defined.

When establishing the context of the risk management process consideration may be given to the following factors (but not limited to):

External	Internal
<ul style="list-style-type: none"> ➤ the social, cultural, political, legal, regulatory, financial, technological, economic and environmental factors, whether international, regional, national or local; ➤ key drivers and trends affecting the objectives of the organisation; ➤ external stakeholders' relationships, perceptions, values, needs and expectations; ➤ contractual relationships and commitments; ➤ the complexity of networks and dependencies. 	<ul style="list-style-type: none"> ➤ vision, mission and values; ➤ governance, organisational structure, roles and accountabilities; ➤ strategies, objectives and policies; ➤ the organisational climate and culture; ➤ standards, guidelines and models adopted by the organisation; ➤ capabilities, understood in terms of resources and knowledge (e.g. capital, time, people, technology, intellectual property, processes, systems and technologies); ➤ data, information systems and information flows; ➤ with internal stakeholders, taking into account their perceptions and values; ➤ contractual relationships and commitments;

	➤ interdependencies and interconnections.
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Risk criteria is the amount and type of risk that the Ministry may or may not take relative to objectives and is used to evaluate the significance of risk and to support decision-making processes.

Risk criteria, for each area of risk assessment, will have to be determined and defined in relation to its objective. The risk criteria will have to be based on different Acts, Regulations, Financial Circulars & Instructions, HR Manual and any other relevant procedure manual governing the specific activity, area or operation. The criteria should continually be reviewed and amended, if necessary.

5.1.3 Risk Assessment

The risk assessment is the overall process of risk identification, risk analysis and risk evaluation. This needs to be conducted systematically, iteratively and collaboratively, drawing on the knowledge and views of stakeholders. This should be done using the best available information, supplemented by further enquiry.

5.1.3.1 Identify Risks

This step is the first in the risk assessment. The risk identification activity is performed to develop a list of potential things that could stop the Ministry from achieving its goals/objectives. This list should always be wide-ranging as unidentified risks can cause major losses through missed opportunities or adverse events occurring.

'Brainstorming' will always produce a broad range of ideas and all things should be considered as potential risks. Relevant stakeholders with specific expertise are to be considered for this activity.

When identifying risks, consideration will be given to the following:

- What can happen?

- Why can it happen?
- What shall be the consequences?

Risks can also be identified through other business operations including policy and procedure development, internal and external audits, customer complaints, incidents and systems analysis.

When identifying risk it is important that risks are correctly described to ensure they are fully understood and appropriate actions identified. The risk description will have to include the potential causes and consequences.

To ensure comprehensiveness of risk identification, the Ministry will identify risk factors through considering both internal and external factors, through appropriate processes of:

(a) **Strategic risk identification** to identify risks concerned with the Ministry/Department's strategic decisions:

(i) strategic risk identification will precede the finalisation of strategic choices to ensure that potential risk issues are factored into the decision-making process for selecting the strategic options;

(ii) risks inherent to the selected strategic options will be documented, assessed and managed through the normal functioning of the system of risk management; and

(iii) strategic risks will be formally reviewed concurrently with changes in strategy, or at least once a year to consider new and emerging risks.

(b) **Operational risk identification** to identify risks concerned with the Ministry operations:

(i) Operational risk identification will seek to establish vulnerabilities introduced by employees, internal processes and systems, contractors, regulatory authorities and external events;

(ii) Operational risk identification will be an embedded continuous process to identify new and emerging risks and consider shifts in known risks through mechanisms such as management and committee meetings, environmental scanning and process reviews; and

(iii) Subject to significant environmental and institutional changes, operational risk identification will be repeated when changes occur, or at least once yearly, to identify new and emerging risk.

(c) **Project risk identification** to identify risks inherent to particular projects:

(i) Project risks will be identified for all major projects, covering the whole lifecycle; and

(ii) For long term projects, the projects risk register will be reviewed at least once a year to identify new and emerging risks.

The Risk Identification Process is outlined at **Appendix 3.0**.

Examples of Risk Categories are given at **Appendix 3.1**.

5.1.3.2 Analyse and Evaluate Risks

The risk analysis is performed to comprehend the nature of the risk and its characteristics including where appropriate the level of risk. On the other hand, the risk evaluation activity is conducted once the analysis is completed to decide whether risk is acceptable in its current state or whether further actions may be required to mitigate the risk.

The risk analysis is done for;

- determining the causes and consequences;
- determining the likelihood of the event; and
- identifying any existing controls. The existing controls are things that are already in place such as policies, procedures, training programs etc. These controls will require rating as either **effective**, **requires improvement** or **ineffective**.

The risk analysis provides insight and input for risk evaluation. This activity involves comparing the results of the risk analysis with the established risk criteria to determine actions in terms of whether:

- to do nothing further;
- to consider risk response options;
- to undertake further analysis to better understand the risk;
- to maintain existing controls;
- to reconsider objectives.

The outcome of risk evaluation will be recorded, communicated and validated/approved at appropriate levels of the Ministry.

Risk Escalation

Any risk that have a **high or extreme** controlled level or have controls rated as less than effective will require treatment plans. If the treatment plan does not reduce the level of risk or increase control effectiveness, the risk is required to be escalated to management for further attention or authority to issue additional action. Management determines if the risk should be escalated further.

The Risk Analysis and Evaluation process is outlined at Appendix 4.0.

5.1.4 Risk Response

Risk responses are concerned with developing strategies to reduce or eliminate the threats and events that create risks.

Management will develop response strategies for all material risks which are within the direct control of the Ministry, prioritising the risks exceeding or nearing the risk appetite level.

The response strategies will consider the following:

- (a) **avoiding** the risk by, for example, choosing a different strategy or terminating the activity that produces the risk;

- (b) **treating** the risk by, for example, implementing or improving the internal control system;
- (c) **transferring** the risk to another party more competent to manage it by, for example, contracting out services and establishing strategic partnerships;
- (d) **accepting** the risk where cost and strategy considerations rule out alternative strategies; and
- (e) **exploiting** the risk factors by implementing strategies to take advantage of the opportunities presented by such risk factors.

Further details are given at **Appendix 5.0**.

When selecting the most appropriate risk treatment option(s) consideration should be given for balancing the potential benefits derived in relation to the achievement of the objectives against costs, effort or disadvantages of implementation.

Response strategies will be documented and the responsibilities and timeline attached thereto should be communicated to the relevant persons.

All risks identified by Risk Owners will be recorded in the Risk Assessment Table (**Appendix 6.0**) together with results of Risk analysis/evaluation and the risk response.

5.1.5 Monitoring and Review

The results of monitoring and review will be incorporated throughout the organisation's performance management, measurement and reporting activities.

Monitoring will be effected through ongoing activities or separate evaluations to ascertain whether risk management is effectively practised at all levels and across the Ministry in accordance with the risk management strategy, policy and framework.

Monitoring activities will focus on evaluating whether:

- (a) allocated responsibilities are being executed effectively; and

- (b) response strategies are producing the desired result of mitigating risks or exploiting opportunities.

5.1.6 Recording and reporting

The risk management process and its outcomes will be documented and reported through appropriate mechanisms. All key risks having significant/material impact on the Ministry's strategic/operational/project objectives, categorised as medium or high as identified in the Risk Assessment Table, will be recorded in the Risk Register.

Risk Owner will report on a quarterly basis to the Risk Management Committee on the updated Risk Register.

The Risk Management Committee will consolidate the individual Risk Registers and will report accordingly to the Financial Secretary and the Audit Committee.

The Risks that will be reported to the Risk Management Committee is as per Risk Register Template at **Appendix 7.0**.

6.0 Evaluation of Risk Management Effectiveness

The Ministry will incrementally and sustainably achieve a mature risk management regime and periodically evaluate the value addition of risk management by measuring outcomes against pre-set key performance indicators aligned to the overall goals and objectives.

6.1 Performance Indicators

Everyone in the Ministry has a part to play in achieving and sustaining a vibrant system of risk management and to that extent must function within a framework of responsibilities and performance indicators. The Financial Secretary will evaluate the performance of the risk management process as follows:


- (a) against key indicators, including yearly comparison of performance achieved; and

(b) progress made in securing improved audit outcomes in regularity and performance audits.

7.0 Review of the Framework

The Ministry will measure the effectiveness of the Risk Management in addressing the value creation principles and its ability to support the Ministry in identifying and consistently analysing risks and opportunities inherent in all our activities and operations.

All reviews of the Framework will be done as per the timeframe set out at **Appendix 2.0**.

Signature: 

Mr. Dharam Dev Manraj

Financial Secretary

Date: 10.11.2023

Appendix 1.0

Risk Management Policy

Ministry of Finance, Economic Planning & Development			
Approved by	Approval Date	Effective date	Next Review
Financial Secretary	25 August 2023	25 August 2023	August 2025
Purpose			
		The Risk Management Policy demonstrates the commitment of the Financial Secretary to Risk Management.	
Scope			
		The policy applies to all activities of the Ministry, including those of its departments/ sections.	

Ministry of Finance, Economic Planning and Development

Risk Management Policy

The Ministry of Finance, Economic Planning and Development hereby endeavours to adopt a Risk Management Policy (RMP) which is aligned with the principles of “ISO 31000 (Risk Management Guidelines)” for implementation in its day-to-day businesses to fulfil its mandate, to meet the service delivery expectations of the public and to realise established performance indicators.

2. The effectiveness of the RMP, which is a component of our Risk Management Framework (RMF), requires support from stakeholders, particularly top management and other administrative units, in integrating risk management principles into the Ministry’s significant activities and functions as well as governance of the organisation including decision-making.

3. The RMF development encompasses a comprehensive approach to risk management, including integrating, designing, implementing, evaluating and improving risk management across the organisation. It is mandatory that all Units, Sections, Offices and Departments of the Ministry will be subject to the RMF. They will work together in a consistent and

integrated manner, with the overall objective of reducing risk, as far as reasonably practicable. Their processes, procedures and operations shall have to comply with the principles of risk management without compromising on the principles of good governance.

4. As per our RMP, Top Management and Administrative Bodies, as relevant, will ensure the following:

Leadership and Commitment

4.1 Risk Management is integrated into all organisational activities and should demonstrate leadership and commitment by:

- customising and implementing all components of the RMF;
- issuing the RMP to all stakeholders that establishes a risk management approach, plan or course of action;
- ensuring that the necessary resources are allocated to managing risk;
- assigning authority, responsibility and accountability at appropriate levels within the organisation, thus helping to:
 - align risk management with the Ministry's objectives, strategies and culture;
 - recognize and address all obligations, as well as its voluntary commitments;
 - establish the amount and type of risk that may or may not be taken to guide the development of risk criteria, ensuring that they are communicated to the organisation and its stakeholders;
 - communicate the value of risk management to the organisation and its stakeholders;
 - promote systematic monitoring of risks;
 - ensure that the RMF remains appropriate to the context of the organisation.

Top management is accountable for managing risk while Administrative Bodies are accountable for overseeing risk management. Administrative Bodies are often expected or required to:

- ensure that risks are adequately considered when setting the organisation's objectives;
- understand the risks facing the organisation in pursuit of its objectives;
- ensure that systems to manage such risks are implemented and operating effectively;
- ensure that such risks are appropriate in the context of the organisation's objectives;
- ensure that information about such risks and their management is properly communicated.

Articulating Risk Management Commitment

4.2 Top Management and Administrative Bodies should demonstrate and articulate the Ministry's objectives and continual commitment to risk management through its RMP, including, but not limited to:

- the organisation's purpose for managing risk and links to its objectives and other policies;
- reinforcing the need to integrate risk management into the overall culture of the organisation;
- leading the integration of risk management into core business activities and decision-making;
- authorities, responsibilities and accountabilities;
- making the necessary resources available;
- the way in which conflicting objectives are dealt with;
- measurement and reporting within the organisation's performance indicators

Understanding the Organisation and its Context

4.3 The organisation should examine and understand its external and internal contexts.

- External context may include, but not limited to:
 - the social, cultural, political, legal, regulatory, financial, technological, economic and environmental factors, whether international, national, regional or local;
 - key drivers and trends affecting the objectives of the organisation;
 - external stakeholders' relationships, perceptions, values, needs and expectations;
 - contractual relationships and commitments;
 - the complexity of networks and dependencies.
- Internal context may include, but not limited to:
 - vision, mission and values;
 - governance, organisational structure, roles and accountabilities;
 - strategy, objectives and policies;
 - the organisation's culture;
 - standards, guidelines and models adopted by the organisation;
 - capabilities, understood in terms of resources and knowledge (*e.g. capital, time, people, intellectual property, processes, systems and technologies*);
 - data, information systems and information flows;
 - relationships with internal stakeholders, taking into account their perceptions and values;
 - contractual relationships and commitments;

- interdependencies and interconnections.

Integration – Governance and Organisational Structures

4.4 Integrating risk management into an organisation is a dynamic and iterative process, and should be customised to the organisation's needs and culture. Risk management should be a part of, and not separate from, the organisational purpose, governance, leadership and commitment, strategy, objectives and operations.

Integrating risk management relies on an understanding of organisational structures and context. Structures differ depending on the organisation's purpose, goals and complexity. Risk is managed in every part of the organisation's structure. Everyone in an organisation has responsibility for managing risk. Governance guides the course of the organisation, its external and internal relationships, and the rules, processes and practices needed to achieve its purpose. Management structures translate governance direction into the strategy and associated objectives required to achieve desired levels of sustainable performance and long-term viability. Determining risk management accountability and oversight roles within an organisation are integral parts of the organisation's governance

Assigning Organisational Roles, Authorities, Responsibilities and Accountabilities

4.5 Top Management and Administrative Bodies should ensure that the authorities, responsibilities and accountabilities for relevant roles with respect to risk management are assigned and communicated at all levels of the organisation, and should:

- emphasize that risk management is a core responsibility; and
- identify individuals who have the accountability and authority to manage risk (risk owners).

Allocating Resources

4.6 Top Management and Administrative Bodies should ensure allocation of appropriate resources for risk management, which can include, but are not limited to:

- people, skills, experience and competence;
- the organisation's processes, methods and tools to be used for managing risk;
- documented processes and procedures;
- information and knowledge management systems;
- professional development and training needs.

The organisation should consider the capabilities of, and constraints on, existing resources.

Establishing Communication and Consultation

4.7 Top Management and Administrative Bodies should establish an approved approach to communication and consultation in order to support the framework and facilitate the effective application of risk management.

Communication involves sharing of information with targeted audiences. Consultation also involves participants providing feedback with the expectation that it will contribute to and shape decisions or other activities. Communication and consultation methods and content should reflect the expectations of stakeholders, where relevant. Communication and consultation should be timely and ensure that relevant information is collected, collated, synthesised and shared, as appropriate, and that feedback is provided and improvements are made.

Implementation

4.8 Top Management and Administrative Bodies should implement the RMF by:

- developing an appropriate plan including time and resources;
- identifying where, when and how different types of decisions are made across the organisation, and by whom;
- modifying the applicable decision-making processes where necessary;
- ensuring that the organisation's arrangements for managing risk are clearly understood and practised.

Successful implementation of the framework requires the engagement and awareness of stakeholders. This enables organisations to explicitly address uncertainty in decision-making, while also ensuring that any new or subsequent uncertainty can be taken into account as it arises. Properly designed and implemented, the RMF will ensure that the risk management process is a part of all activities throughout the organisation, including decision-making, and that changes in external and internal contexts will be adequately captured.

Evaluation and Monitoring

4.9 In order to evaluate and monitor the effectiveness of the risk management framework, the organisation should:

- periodically measure RMF performance against its purpose, implementation plans, indicators and expected behaviour;
- determine whether it remains suitable to support achieving the objectives of the organisation; and
- continually monitor and adapt the RMF to address external and internal changes; in doing so, the organisation can improve its value.

Continually Improving

4.10 The organisation should continually improve the suitability, adequacy and effectiveness of the risk management framework and the way the risk management process is integrated. As relevant gaps or improvement opportunities are identified, the organisation should develop plans and tasks and assign them to those accountable for implementation. Once implemented, these improvements should contribute to the enhancement of risk management.

5. Conclusion

The RMP statement shall be reviewed annually to reflect the current stance on risk management. Every staff has a part to play in this important endeavour and we look forward to working with all stakeholders in achieving these aims.

Signed on 25 August 2023 by the Financial Secretary

Appendix 2.0

Risk Management Plan

Element	Description	When	Who
Risk Management Policy	Policy review every two (2) years	Every 2 years	Risk Management Committee (RMC)
Risk Management Framework	Every two (2) years or as and when required	Every 2 years or as and when required	RMC
Risk Management Process	Formal risk management process working sessions are to be undertaken as part of the annual business plan cycle, new initiatives, budget bids, cabinet submissions etc.-	Quarterly	All Departments/ Units/Sections
Roles and Responsibilities	Roles and responsibilities are reviewed annually or as and when required	Annually	All Departments/ Units/Sections
Training, Capacity Building, Awareness Campaign and Education	Risk Awareness and Workshops	As & When required	RMC
Risk Management Reporting Process	Risk Owners need to establish the risk registers and review the risk registers on a quarterly basis. Risk Committee is then provided with reports outlining the results. The FS is then provided with a memo outlining the results of the quarterly reporting process. The Audit Committee will also have to provide an opinion on the results of the quarterly reporting process	Quarterly	All Departments/ Units/Sections
Escalation Process	Any risks that have a high or extreme controlled level of risk OR have controls rated as less than effective will require treatment plans. If the treatment plan does not reduce the level of risk or increase control effectiveness, the risk is required to be escalated to management for further attention or authority to issue additional action. Management determines if the risk should be escalated further.	As required	All Departments/ Units/Sections
Communication	Communication and consultation occurs on a regular basis to ensure key stakeholders (both internal and external) are consulted, engaged and actively involved throughout the risk management process.	Continuously	All Departments/ Units/Sections
Monitor and Review	This allows for lessons learned to be identified and applied to continuously improve upon the risk management framework, processes and associated practices.	Quarterly	All Departments/ Units/Sections

Appendix 3.0

Risk Identification Process

Systematically and continuously identify risks faced in meeting objectives. For each business objective, it is necessary to identify the key risks that might impede the achievement of the respective business objectives. Risk identification will be performed as part of all major decision making processes.

Step 1: Set out the objectives and activities of the Department/Unit/Section

Objectives and Activities

OBJECTIVES OF THE UNIT What we are trying to achieve in our business?	Activities (What are our activities?)
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.
6.	6.
7.	

Step 2: Identify all risks for each objective/ activity.

(What can happen and why? What will be the consequences?)

Risk Description

SN	Risk Type	Risk Category	Risk Description	
			Risks Identified	Cause Consequences
R001				
R002				
R003				
R004				
R005				

Note:

Risk Type: *Internal or External*

Risk Category: *see Appendix 3.1 below.*

Each risk identified will be Coded as shown above; Examble R001. R002 etc.

Appendix 3.1

Risk Categories

Risk type	Risk category	Examples
Internal	Human resources	<p>Risks that relate to human resources of an institution. These risks can have an effect on the Ministry's human capital with regard to:</p> <ul style="list-style-type: none"> • Integrity and honesty; • Recruitment; • Skills and competence; • Employee wellness; • Employee relations; and • Occupational health and safety.
	Knowledge and Information management	<p>Risks relating to the Ministry's management of knowledge and information. In identifying the risks consider the following aspects related to knowledge management:</p> <ul style="list-style-type: none"> • Availability of information; • Stability of the information; • Integrity of information data; • Relevance of the information; and • Retention and Safeguarding.
	Litigation	<p>Risks that the Ministry might suffer damages due to litigation and lawsuits against it which may emanate from different stakeholders including staff.</p>

Risk type	Risk category	Examples
	Loss \ theft of assets	Risks that the Ministry might suffer losses due to either theft or loss of an asset.
	Service delivery	The risk will arise if the appropriate quality of service is not delivered to the stakeholders.
	Information Technology	Possible considerations could include the following when identifying applicable risks: <ul style="list-style-type: none"> • Security concerns; • Technology availability (uptime); • Integration / interface of the systems; • Effectiveness of technology; and • Obsolescence of technology.
	Health & Safety	Risks from occupational health and safety issues e.g. injury on duty, health hazards or outbreak of disease (epidemic/pandemic).
	Disaster recovery / business continuity	Risks related to a Ministry's preparedness or absence thereto to disasters that could impact the normal functioning of the institution e.g. natural disasters, act of terrorism etc. This would lead to the disruption of processes and service delivery and could include the possible disruption of operations at the onset of a crisis to the resumption of critical activities. Factors to consider include: <ul style="list-style-type: none"> • Disaster management procedures; and • Contingency planning • Succession planning
	Compliance / Regulatory	Risks related to the compliance requirements that the Ministry has to meet. Aspects to consider in this regard are: <ul style="list-style-type: none"> • Failure to monitor or enforce compliance; and • Consequences of non-compliance.

Risk type	Risk category	Examples
	Fraud and corruption	These risks relate to illegal or improper acts by staff resulting in a loss of the Ministry's assets or resources.
	Cultural	<p>Risks relating to the Ministry's overall culture and control environment. The various factors related to organisational culture include:</p> <ul style="list-style-type: none"> • Communication channels and the effectiveness; • Cultural integration; • Entrenchment of ethics and values; • Goal alignment; and • Management style.
	Reputation	Factors that could result in the tarnishing of the Ministry's reputation, stakeholder's perception and image.
External	Technological environment	Risks emanating from the effects of advancements and changes in technology.
	Legislative environment	Risks related to the Ministry's legislative environment. E.g. changes in legislation, conflicting legislation.

Appendix 4.0



Risk Analysis and Evaluation Process

The main purpose of the Risk Analysis is to prioritise the most important risk of the Ministry. This will be done on the basis of the Likelihood of occurrence and its Impact.

Step 1: Analyse each risk in terms of Likelihood of occurrence and its Impact if it occurs

The Heat Map as shown below will be used.

Risk Analysis: Criteria and Scores

L I K E L I H O O D 	Probable (above 70%)	Medium	High	High (Critical)
	Likely (30 to 70 %)	Low	Medium	High
	Remote (Less than 30 %)	Low	Low	Medium
		Minor	Moderate	Major
Consequences				

Appendix 4.0 Cont'd

High (Critical):- *Issues that require immediate attention of senior management.*

High: *- Issues that need constant monitoring by senior management.*

Medium: *- Issues for frequent review*

Low: *- Issues that need to be reviewed from time to time*

Step 2: Work out the Existing Control in place

- What are the controls in place?
- Are they governed by any Act, Regulations, Procedures Manual, FMM, HRMM etc..?

Step 3: Assess the effectiveness of the Controls in place.

Are the controls:

- Effective?
- Ineffective?
- Need Improvements?

Step 4: Assess whether further action required

If the Control is not effective, or if need improvement, then consideration will be given whether further action is required. This can lead to a decision:

- Do nothing further.
- Consider Risk Response options.

- Undertake further analysis to better understand the risks.
- Maintain existing controls.
- Reconsider objectives.

Step 5: Outcome of the Evaluation

The outcome of risk evaluation will be recorded, communicated and validated/ approved at appropriate levels of the Ministry.

Template to be used as per Appendix 6.0

Risk Response

Risks can be dealt with in various ways. The risk response options encompass all possible management response to risk, whether viewed as opportunities, uncertainties or hazards. The risk response options and examples of activities under each option are outlined below:

Risk Response Options	
<p>TREAT</p> <p>Steps taken to reduce either the likelihood of an occurrence or impact.</p> <ul style="list-style-type: none"> -<i>Improve or implement new controls.</i> -<i>Ensuring adequate skill sets.</i> -<i>Improving staff morale.</i> -<i>Implementing Business Continuity Programme.</i> 	<p>AVOID</p> <p>Steps taken to prevent the occurrence of hazards, such as:</p> <ul style="list-style-type: none"> - <i>Ceasing activity, Divestment of operations, Changing objective, scale of operations or scope of coverage.</i>
<p>EXPLOIT</p> <p>Steps taken to leverage opportunities, such as:</p> <ul style="list-style-type: none"> -<i>Expanding business portfolios, Influencing regulators, public perception.</i> 	<p>ACCEPT</p> <p>Informed decision to accept both the impact and the likelihood of risk events.</p> <ul style="list-style-type: none"> -<i>where cost and strategy considerations rule out alternative strategies.</i>
<p>TRANSFER</p> <p>Steps taken to shift the loss or liability to third parties, such as:</p> <ul style="list-style-type: none"> -<i>Insuring , Outsourcing, Diversifying of investments, Hedging</i> 	

Appendix 6.0

All Risk Response will be documented in the Risk Assessment Table.

Risk Assessment Table

Section/Unit:.....

SN	Risk analysis & Evaluation							Risk Response	Risk monitoring
	Risks Identified	Likelihood -Probable -Likely -Remote	Impact -Major - Moderate -Minor	Risk Ratings H, M or L	Existing control	Is existing controls Effective? Yes/No Need Improvement?	Further action required/ Yes/No		
R001									
R002									
R003									
R004									
R005									

Risk Owner

Name:.....

Signature:.....

Date:.....

Appendix 7.0

Risk Register

Unit/Section.....

SN	Risk Type	Risk Category	Risk Identified	Risk Rating Medium/ High	Risk Response	Risk Monitoring Status
R001						
R002						
R003						
R004						
R005						

Risk Owner

Name:.....

Signature:.....

Date:.....

