



Pacific Association of Supreme Audit Institutions (PASAI)

Risk Management Policy

Access to information

PASAI members, Donors, International and Regional Partners

PASAI Reference Number

PP_12_RMP_2019

Issued and effective

Approved by the Governing Board on 12 August 2019.

Review

Reviewed on 4th March 2022 and to be reviewed every two years thereafter [next review March 2024]

Content

Risk Management process and procedures
Risk Management requirements
Risk Management principles
Risk Management process
Risk Management compliance and control
Assessment of effectiveness
Reporting requirements
Risk Management responsibilities
Risk Framework

Applicable to

All PASAI office holders and staff

Issuer

Chief Executive for PASAI

Contents

SECTION I – PURPOSE.....	3
SECTION II – SCOPE	3
SECTION III – OBJECTIVES	3
SECTION IV – RISK MANAGEMENT PROCESS AND PROCEDURES	4
SECTION V – RISK MANAGEMENT REQUIREMENTS.....	4
SECTION VI – RISK MANAGEMENT PRINCIPLES	5
SECTION VII – RISK MANAGEMENT PROCESS.....	5
SECTION VIII – RISK MANAGEMENT COMPLIANCE AND CONTROL	6
SECTION IX – ASSESSMENT OF EFFECTIVENESS	6
SECTION X – REPORTING REQUIREMENTS.....	7
SECTION XI – RISK MANAGEMENT RESPONSIBILITIES	7
<i>PASAI Governing Board</i>	7
<i>Risk Management Committee (RMC)</i>	8
<i>PASAI Chief Executive</i>	9
<i>PASAI Secretariat Directors</i>	9
<i>Risk Owners</i>	9
SECTION XII – RISK FRAMEWORK.....	10
<i>Risk Matrix</i>	10
<i>Risk Grading Criteria – Impact rating</i>	10
<i>Risk Grading Criteria – Likelihood Ratings</i>	11
<i>Risk Tolerance Levels</i>	12

SECTION I – PURPOSE

1. The purposes of this policy is to communicate the Pacific Association of Supreme Audit Institutions' (PASAI's) commitment to managing enterprise-wide risks and to establish clear responsibilities in order to maximize strategic and operational achievement.

SECTION II – SCOPE

2. This policy applies to PASAI Incorporated as a legal entity, and to all PASAI office holders (including Governing Board members) and staff (including contractors and consultants¹).
3. PASAI is committed to the formal, systematic and structured proactive management of risks across the organization.
4. Risk is inherent in all aspects of PASAI's activities and whilst many of these risks cannot be eliminated they can, however, be identified, quantified and controlled. Risks that impact on the objectives of PASAI can offer both opportunity and threat. This policy is designed to provide PASAI personnel with a systematic framework in order to minimise threats and maximise opportunities to PASAI.

SECTION III – Objectives

5. The policy has the following key objectives:
 - a. The Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009) defines risk management as “coordinated activities to direct and control an organisation with regard to risk”.
 - b. This policy confirms that PASAI is committed to implementing a strategic, consistent and structured enterprise-wide approach to risk management in order to effectively manage opportunities for gain and minimise the impact of threats causing losses.
 - c. This policy is aligned to reflect AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines which provides the framework used to develop the PASAI enterprise-wide risk management framework.
 - d. PASAI to foster a culture of risk awareness and risk management.
 - e. Risk will manifest itself in many forms and has the potential to impact the health and safety, environment, community, reputation, regulatory, operational, and financial performance of PASAI and, thereby, the achievement of the organisation's objectives.

¹ Meaning those engaged by PASAI under a contract for services, or those engaged by another organisation (e.g. Asian Development Bank).

- f. By understanding and managing risk, PASAI will provide greater certainty and confidence for PASAI Governing Board members and staff, SAI heads and program participants, and key stakeholders.
- g. PASAI will use our risk management capabilities to maximise the value from our projects, programs and other capacity development opportunities and to assist us in fostering the performance of our organisation.
- h. Risk management will be embedded into our activities, programs and processes. Risk understanding and our tolerance for risk will be key considerations in our decision making.
- i. Risk issues will be identified, analysed and ranked in a consistent manner. Common systems and methodologies will be used.
- j. Risk controls will be designed and implemented to reasonably assure the achievement of organisational objectives. The effectiveness of these controls will be systematically reviewed and, where necessary, improved.
- k. PASAI performance in managing risk will be overseen by the Governing Board, but with risks being monitored, reviewed and reported at all levels of the organization (including governance and management). This will provide reassurance to key stakeholders.
- l. The effective management of risk is vital to the continued growth and success of PASAI.

SECTION IV – Risk management process and procedures

6. The Governing Board and management of PASAI view risk management as integral to its strategic goals as set out in PASAI’s Strategic Plan 2014-24; being:
 - Strategic Priority 1 – SAI Independence
 - Strategic Priority 2 – Advocacy to strength governance and accountability
 - Strategic Priority 3 – High quality audits completed by Pacific SAIs on a timely basis
 - Strategic Priority 4 – SAI capability and capacity enhanced
 - Strategic Priority 5 - PASAI Secretariat capable of supporting Pacific SAIs
7. PASAI’s risk management policy provides a system to manage the risks associated with delivering its core activities.

SECTION V – Risk management requirements

8. These risk management requirements shall be observed:
 - a. Risk management will be incorporated into the strategic and operational planning processes of PASAI;

- b. Risk and the management of risk will be identified and monitored according to this policy;
- c. Risk assessments will be conducted on all new programs and projects prior to commencement to ensure alignment with the PASAI risk appetite and organisational objectives;
- d. Risks will be identified, reviewed and monitored on an ongoing basis as outlined in Sections 10 to 15 of this policy;
- e. Risks will be assessed and evaluated against the PASAI Risk Management Framework (outlined in section 15 of this policy);
- f. Relevant risks that are identified will be recorded within PASAI's risk management register;
- g. All risks will be assigned an owner whose responsibilities are specified in this policy under section 14 of this policy.

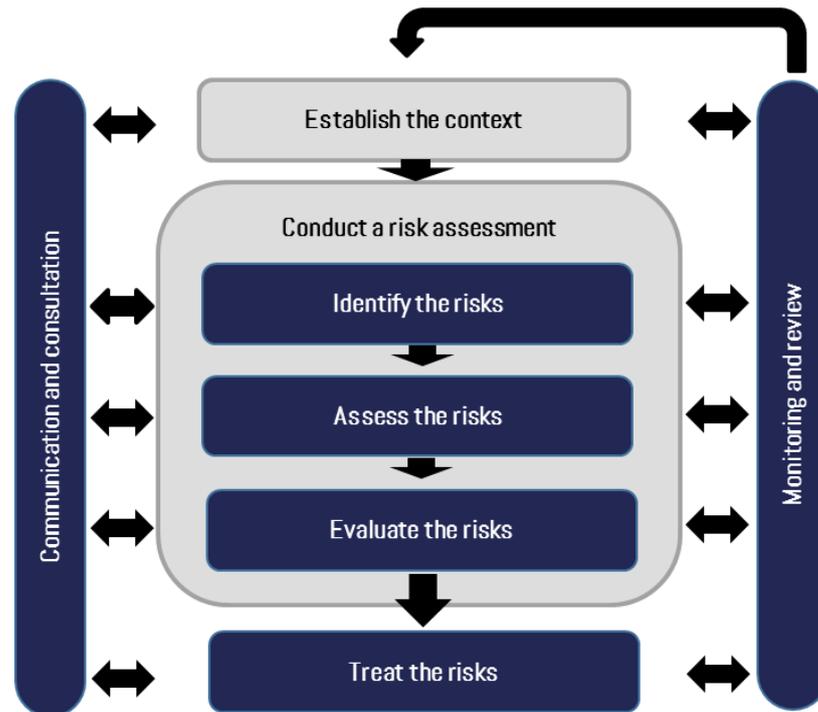
SECTION VI – Risk management Principles

- 9. PASAI has adopted the principles detailed in AS/NZS ISO 31000:2009, to ensure risk management is effective within the organization. These principles are:
 - a. Risk management creates and protects value
 - b. Risk management is part of decision making
 - c. Risk management explicitly addresses uncertainty
 - d. Risk management is systematic, structured and timely
 - e. Risk management is based on the best available information
 - f. Risk management is tailored
 - g. Risk management takes human and cultural factors into account
 - h. Risk management is transparent and inclusive
 - i. Risk management is dynamic, iterative and responsive to change
 - j. Risk management facilitates continual improvement of the organisation

SECTION VII – Risk management Process

- 10. The PASAI risk management process is based upon the AS/NZS ISO 31000:2009 Risk Management Process as shown in Figure 1 (below). Risks identified will be managed according to this process.

Figure 1 - AS/NZS ISO 31000:2009 Risk Management Process



SECTION VIII – RISK MANAGEMENT COMPLIANCE AND CONTROL

11. In developing a culture of risk management, PASAI management is responsible for appropriate responses to manage risk, aided by the risk action plans and the creation of a risk register.
12. To enable this, PASAI:
 - a. has implemented a systematic process to assist in the identification, assessment, treatment and monitoring of risks;
 - b. provides the necessary tools and resources to management and employees to support the effective management of risks; and
 - c. reviews and communicates risk management best practice on a regular basis and reports to the Board at their meetings of November and June.

SECTION IX – ASSESSMENT OF EFFECTIVENESS

13. PASAI assesses the effectiveness of its risk management plan through structured continuous improvement processes to ensure risks and controls are continually monitored and reviewed. This includes ongoing feedback loop via regular team meetings and appraisal of risk owners' actions taken to manage risks including via

employee performance management, with regular scrutiny by the Governing Board at its six-monthly meetings and ongoing oversight by the Secretary-General.

SECTION X – REPORTING REQUIREMENTS

14. PASAI management via the PASAI Chief Executive ensures that the Governing Board is adequately informed of significant risk management issues and the actions undertaken to manage risks on a regular basis. The following reporting process is in place:
 - a. Management will regularly review the risk register with the Secretariat team and update the mitigation strategies and residual level of risk as appropriate.
 - b. New risks will be added to the register through a formal notification process from staff, management and Governing Board member to the PASAI Chief Executive.
 - c. A “top ten” list of major risks (as agreed by the Board) to be discussed at monthly Secretariat team meetings (fixed agenda item), together with any new or emerging risks.
 - d. The Chief Executive will provide a two-monthly update on the “top ten” risks to the Secretary-General. The Chief Executive will maintain the “other risks’ list and prioritise using the scoring system contained in this policy.
 - e. The Board to be briefed on the ‘top ten’ risks by the Chief Executive Officer at each Governing Board meeting on an exception basis at the February and September meetings and in detail at the June and November meetings. The Governing Board consideration of ‘top ten’ risks (with reference to the risk register) will include a general brainstorm / workshop on emerging risks.
 - f. When a risk moves into the extreme risk category despite mitigation actions (as per the scoring system set out in this policy) this risk must be immediately notified to the Secretary-General and all Government Board members.

SECTION XI – RISK MANAGEMENT RESPONSIBILITIES

PASAI Governing Board

15. The Governing Board of PASAI is responsible for overseeing the establishment (and implementation via management) of risk management systems and reviewing the effectiveness of these systems.
16. The Governing Board’s role in relation to risk includes:
 - a. overseeing the creation, implementation and maintenance of the risk management system of PASAI and its internal control framework, including information systems;

- b. establishing a risk profile for PASAI setting out both financial and non-financial material and/or strategic risks facing PASAI;
- c. reviewing the effectiveness of PASAI's implementation of its risk management systems and internal controls on an on-going basis and reviewing the outcome of any reviews or non-financial audits;
- d. seeking to reach a common understanding with management and auditors about the risk management process, key financial and regulatory risks and related controls including focusing on the "key" risks which are considered to be currently, or may in the future be, more significant or more likely to occur;
- e. analyzing the effectiveness of PASAI's risk management and internal compliance systems and the effectiveness of their implementation;
- f. developing, and conveying to the Secretariat through the Chief Executive, an understanding of the overall business environment, relevant laws and codes of importance to PASAI and the programs/projects that PASAI has in place to provide reasonable assurance of compliance;
- g. reviewing PASAI's health and safety at work policy and ensuring regular reporting to the Governing Board on issues related to workplace health and safety;
- h. ensuring that the Chief Executive states in writing to the Governing Board annually that the statement given to the Governing Board that PASAI's financial reports present a true and fair view, in all material respects, of PASAI's financial position and operational results and are in accordance with the relevant accounting standards, are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Governing Board;
- i. ensuring that the Chief Executive states in writing to the Governing Board annually that PASAI's risk management and internal compliance and control system is operating efficiently and effectively in all material respects; and
- j. reviewing insurance coverage and claims trends.

Risk Management Committee (RMC)

- 17. Due to the small size of PASAI the functions of a RMC will be exercised by the full Governing Board, with ongoing oversight delegated to the Secretary-General and risk management delegated to the Chief Executive (in accordance with PASAI's governance structure). Legal, risk and insurance expertise is co-opted as required.
- 18. As the RMC, the Governing Board is responsible for:
 - a. implementation of the principles, actions and requirements of the risk management plan and monitoring its implementation within PASAI;
 - b. provision of the necessary tools and resources to identify and manage risks;
 - c. review of 'top ten' risks at each Governing Board meeting, including identification of new risks, changes to existing risks and retirement of previously identified risks (through a formal decision making process);

- d. the manner in which ownership of risks is taken by management or others in accordance with function or expertise;
- e. appraisal of risk owners' actions taken to manage risk and correction of inappropriate performance;
- f. internal compliance and control systems for the implementation of the risk management plan;
- g. consideration of reviews and non-financial audits; and
- h. compliance with regulatory requirements and best practice.

PASAI Chief Executive

19. The Chief Executive Officer, in conjunction with the Office of the Secretary-General, is responsible for:
- a. Identifying legislation, policy and guidelines affecting risk management practices at PASAI;
 - b. Maintaining PASAI's Risk Register;
 - c. Providing assistance and support throughout PASAI for risk management;
 - d. Organising appropriate risk management education and training for PASAI staff; and
 - e. Monitoring the implementation of the PASAI Risk Management Framework across the organisation.

PASAI Secretariat Directors

20. PASAI Secretariat Directors will be responsible for:
- a. Championing the roll out of the PASAI Risk Management Framework into PASAI's operations;
 - b. Ensuring all staff, including contractors/consultants, understand their responsibilities with respect to operational risk management;
 - c. Developing a risk aware culture within their area of responsibility;
 - d. Advising the Chief Executive of needs for any training, development and facilitation; and
 - e. Maintaining risk registers within their own programs.

Risk Owners

21. Risk owners are responsible for:
- a. Identifying existing controls to help manage the risk;

- b. Developing treatment plans to reduce the likelihood and/or impact of the risk; Monitoring the implementation of the treatment plans and reporting on their effectiveness and outcomes; and
- c. Monitoring and alerting senior management of significant changes in risk status.

SECTION XII – RISK FRAMEWORK

Risk Matrix

22. The Governing Board of PASAI has approved the following risk matrix

Risk Matrix		IMPACT					
		Insignificant	Minor	Moderate	Major	Extreme	
		1	2	3	4	5	
LIKELIHOOD	Almost Certain	5	Medium	High	High	Critical	Critical
	Likely	4	Low	Medium	High	Critical	Critical
	Possible	3	Low	Medium	High	High	Critical
	Unlikely	2	Low	Low	Medium	High	High
	Rare	1	Low	Low	Low	Medium	Medium

Risk Grading Criteria – Impact rating

23. The Governing Board of PASAI has resolved that risk be assessed over the following categories in relation to impact (consequence):
- a. Strategic risk – impact on PASAI’s ability to achieve its strategic goals.
 - b. Financial – lack of, or inappropriate management of financial resources.
 - c. Operational – impacts on PASAI’s ability to perform or deliver the organisation’s task/role.
 - d. Reputational – impact on credibility or respect for the organization due to action or inaction.
 - e. Compliance risk – impact on ability of PASAI to meet requirements, or to take actions, resulting in breach of a specific compliance obligation.

24. Impact levels and criteria are shown in the following table to update this section:

Strategic	Financial	Operational	Reputational	Compliance/ Legal
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IMPACT	5	Extreme	A risk that can prove catastrophic or terminal for the whole organisation.	Outcome goals no longer achievable in any form	More than \$100,000	Unable to deliver program/ services.	Collapse of organisation. Major inquiry into systemic misconduct. Wholesale resignation of Board Members or Senior Management.	Criminal prosecution of organisation and/or Board due to failure to comply with the law.
	4	Major	Risks which can significantly jeopardise some aspects of the organisation, but which will not result in organisational failure.	Some aspects of outcome goals no longer able to be achieved or significantly delayed.	More than \$25,000 but less than \$100,000	Widespread failure of program/service standards.	Loss of confidence of key stakeholders Investigation of serious individual misconduct. Loss of significant skills from Governing Board or Management.	Civil action against organisation and/or Board due to negligence. New regulations that impede operations.
	3	Moderate	Risks which will cause some problems, but nothing too significant.	Ineffectiveness impacts achievement of outcome goals, or timeliness of achievement	More than \$10,000 but less than \$25,000	Moderate impact on program/service standards. Unable to deliver some aspects of program. Discontent of members/participants.	Threats of withdrawal of participation by members. Failure of key program. Individual misconduct. Sustained public criticism of the organisation.	Regulatory/ police investigation with adverse findings against organisation and/or Governing Board.
	2	Minor	Any risks which will have just a mild impact, but should be addressed.	Ineffectiveness impacts quality of some program delivery	More than \$1,000 but less than \$10,000	Minor impact on program delivery. Members begin to seek support elsewhere. Constrained capacity to meet the demands of members/ participants.	Localised negative media coverage. Some membership dissatisfactions	Regulatory/ police investigation of organisation and/or Governing Board without adverse findings.
	1	Insignificant	Risks which do not pose any significant threat and which can be left unmitigated without special action.	Lack of coherence of activity with outcome goals	Less than \$1,000	Very minor, temporary product/service disruption.	Media interest in local issue.	Persistent complaints against organisation and/or Governing Board.

Risk Grading Criteria – Likelihood Ratings

25. The Governing Board of PASAI has resolved that the following probability thresholds and ratings in relation to assessing risks be used.

LIKELIHOOD	5	Almost Certain	Will probably occur more than once within 12 months, 80%
	4	Likely	High probability that will occur at least once within next 24 months, 50-80%

	3	Possible	Reasonable likelihood that could occur more than once in 24 months, 20-50%
	2	Unlikely	Not likely to occur within next 24 months, 5-20%
	1	Rare	Not impossible but highly unlikely, 0-5%

Risk Tolerance Levels

26. The Governing Board of PASAI has resolved that the following risk tolerance thresholds be used in relation to the actions PASAI personnel shall take in relation to managing risks.

RISK LEVEL	REQUIRED ACTIONS
CRITICAL	<p>Intolerable</p> <ul style="list-style-type: none"> Operations / activity should be <u>discontinued</u> until level of risk is able to be reduced (or written authorization to continue is provided by the PASAI Governing Board Chair and Secretary-General). Consider options for further reducing the impact or probability of the risk. CE to be informed ASAP and provide urgent attention, guidance and approval of mitigation strategy. Consider external advice (legal, insurance or risk advisor).
HIGH	<p>Tolerable level of risk – significant management & monitoring required</p> <ul style="list-style-type: none"> Action should be taken to ensure risk level is As Low As Reasonable Practicable (ALARP). Consider options for reducing the impact or probability of the risk. If level of risk is ALARP continue to manage using documented operating procedures. Increase monitoring of controls to ensure effectiveness in managing the risk.
MEDIUM	<p>Tolerable level of risk – follow operating procedures</p> <ul style="list-style-type: none"> Ensure risk level is As Low As Reasonable Practicable (ALARP). If level of risk is ALARP continue to manage using standard operating procedures with normal monitoring protocols.
LOW	<p>Tolerable level of risk.</p> <ul style="list-style-type: none"> Maintain existing controls. No additional controls required.

SECTION XIII - EFFECTIVE DATE

The Policy is effective as of 12 August 2019.

SECTION XIV - REVIEW DATE

The Risk Management Policy was reviewed in March 2022 and is to be reviewed within two years from effective date.

SECTION XV - ISSUER

The Issuer of this Policy is the Chief Executive for PASAI.

SECTION XVI – CONTACT AND ACCESS

1. **Contact.** For questions relating to this Health and Safety Policy (Interim), please contact PASAI Secretariat at secretariat@pasai.org.
2. **Access.** This policy will be available for viewing to any Governing Board member or employee of PASAI. In addition, this policy may be made available to any third party at the discretion of the PASAI Chief Executive. The Policy can also be accessed at <http://www.pasai.org>

SECTION XVII – RELATED DOCUMENTS

- i. PASAI Charter
- ii. PASAI Incorporated Rules
- iii. PASAI Governance Code
- iv. PASAI Governance and Operational Policy
- v. PASAI Human Resources Policy
- vi. PASAI Health and Safety Policy
- vii. PASAI Child Protection Policy
- viii. PASAI Fraud Control Policy
- ix. PASAI Gender Policy
- x. PASAI Code of Conduct
- xi. PASAI Conflict of Interest Policy
- xii. PASAI Procurement Policy
- xiii. PASAI Contract Management Policy
- xiv. PASAI Risk Management Policy
- xv. PASAI Whistleblowing Policy
- xvi. PASAI Investment Policy
- xvii. PASAI Minutes of Governing Board meetings policy
- xviii. PASAI Communication Strategy
- xix. PASAI Guidelines on use of social media
- xx. PASAI Sexual Harassment Policy
- xxi. PASAI Gifts, Hospitality & Entertainment Policy