



## GOVERNING COUNCIL 38<sup>th</sup> SESSION

Port Vila, Vanuatu  
21-29 October 2009

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AGENDA ITEM	TITLE
10	REGIONAL INSTITUTIONAL FRAMEWORK
10.4	Risk Management Framework

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### Purpose of Paper

To present to Council the SOPAC/SPC RIF Risk Management Plan (RMP) that has been developed for ensuring the effective rationalisation of functions of the core SOPAC Work Programme to be integrated into the SPC, as well as SOPAC's ICT and Energy Programme functions.

### Background and Comments

The independent report on the proposed, new institutional arrangements by Pittman, Bennett and Howorth (2009) identified risks and issues for each of the institutional options. These institutional options and related risk profiles were tabled at the joint meeting of the Governing bodies of SOPAC, SPREP and the SPC in July 2009.

The risk assessment matrix and risk profile related to the core SOPAC work programme as a SOPAC (science and technology) Division of the SPC, as well as the Energy Programme and ICT functions is included in the RMP (refer Annex 1). These form the core of the RMP that will remain active until full integration of core SOPAC work programme as a Division of the SPC; as well as the full integration of ICT and energy into the proposed, new Division of Economic Development are achieved.

A quarterly assessment of the extent to which the seven medium to high impact risks are being managed and mitigated, with management controls and improvement, should be established. This will ensure that there is awareness within SPC and SOPAC of the risks that could impede achievement of the goals and objectives of the RIF; and, a good understanding between SOPAC and SPC of obligations and compliance with contracts and agreements, and, policies and procedures.

The SOPAC Director and the SPC Director General are ultimately accountable and answerable to their respective governing bodies for the effective implementation of the joint. At the operational level staff responsible for managing each of the top seven risks have been identified. This ensures they are aware of the relevant risk management responsibilities, procedures and controls that are in place; as well as any risk improvement actions that may need to be addressed during implementation.

### Recommendation

Council is requested to note and approve the SPC/SOPAC Risk Management Plan, which will remain active until full integration of the core SOPAC work programme into the SPC is achieved.



Prepared September 2009

## SECTION 1. INTRODUCTION & OBJECTIVES

The risks identified in this report were initially identified and assessed during July 2009. The assessment involved the extent to which the major risks to SOPAC in relation to RIF are being managed and mitigated, with management controls and improvement actions of the key, priority risks developed.

### Objectives

The objectives of the risk assessment being to:

- Establish a profile of the major risk exposures facing SOPAC in relation to RIF
- Make practical recommendations on how major risks can be mitigated
- Establish a process for clarifying accountability and ongoing risk management during the process toward full integration of SOPAC into SPC

### Risk Profile

A key output of the risk management process is the Risk Profile (refer Section 3). The matrix provides a snapshot summary of where SOPAC sits in relation to management of the risks facing it in respect of implementing the decision to rationalise the core SOPAC work programme as a SOPAC Division of the SPC and the Energy Programme and ICT functions into a proposed, new Division of Economic Development.

## SECTION 2. OVERVIEW OF RISK MANAGEMENT

### What is Risk Management?

Risk management is a management process that ensures that SOPAC Council and SPC Committee and their Secretariats: understand the risks facing the Organisations, which could impede the achievement of RIF goals and objectives; understand their obligations to comply with contracts and agreements; and, carry out their work in a manner, which complies with their Organisations obligations, policies and procedures.

## Accountability for Risk Management

### *Who is Accountable?*

Ultimately the SPC Director General and the SOPAC Director are accountable to their governing bodies for the performance of their respective organisations and for delivery against the RIF decision.

### *What does Accountability mean?*

Accountability means being answerable for the actions and performance of yourself and those who report to you.

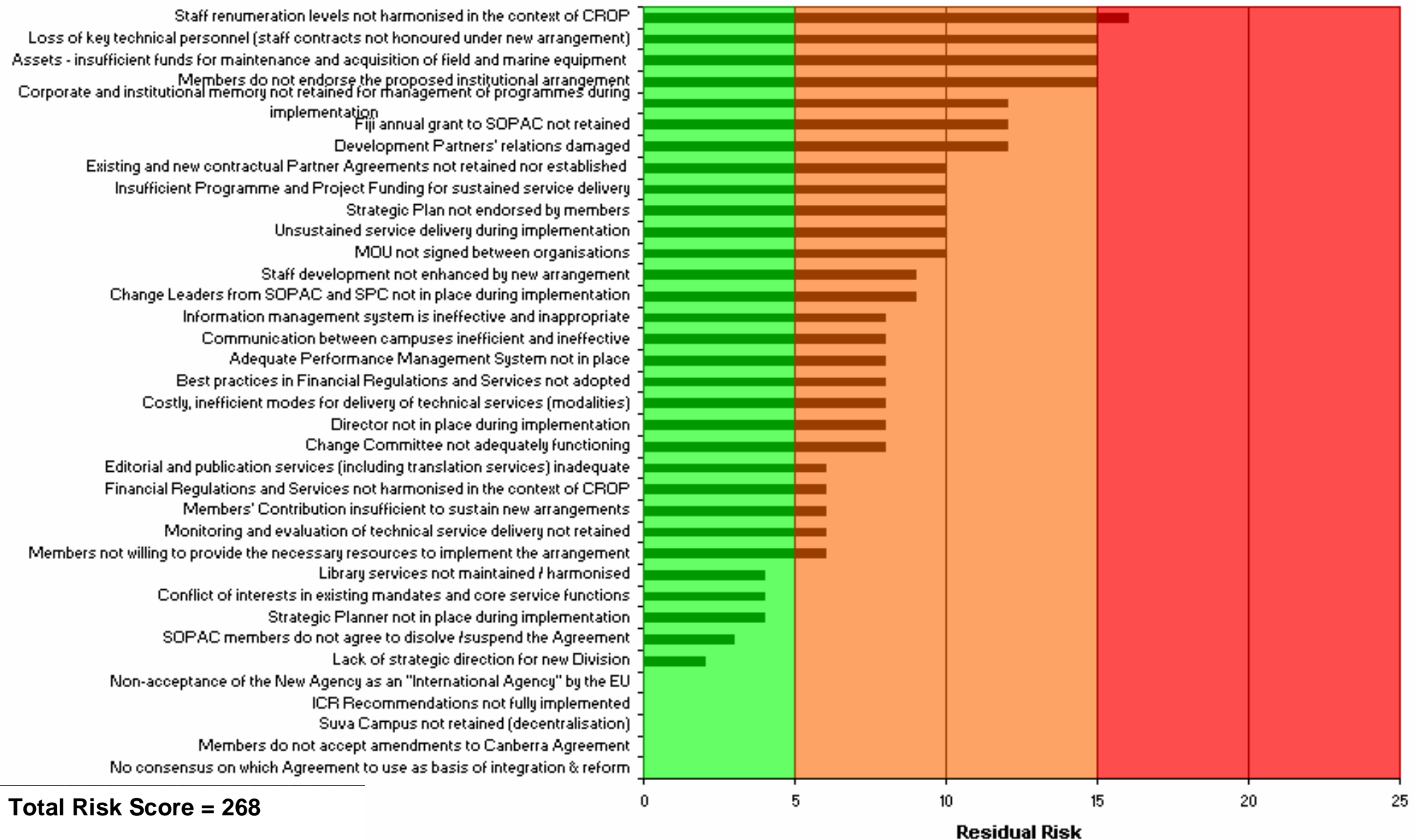
### *How does the SPC-DG and SOPAC Director Obtain Assurance?*

On a quarterly basis and up until full integration personnel who are identified against the top risks will be required to certify that they are aware of their relevant risk management responsibilities, and articulate what procedures and controls are in place to ensure compliance.

## SECTION 3. RISK PROFILE

The risk profile presented below is divided into three colour coded areas. Each colour coded area is assigned an indicative numerical scale which is used to aid risk assess and scale the identified risks. These numerical values thus have no absolute value but provide a simple scale on which risks can be assessed. The “red” area includes those risks that have been assessed to have a residual risk exposure of between 16 and 25. It is suggested that as these are key risks, which could significantly affect the operations of the Commission if they were to be realised. It is a priority that improvement actions be developed to reduce their potential impact. The “orange” area comprise risks that have been assessed to have a residual risk of between 6 and 15. It is suggested that once the top risks have been addressed than improvements could be applied to those risks with exposures from 15 through to 6. The “green” area includes those risks that either have a low impact or very good to excellent management controls already in place, with risk residuals of between 0 and 5. It is suggested that these risks do not require management effort to improve on current status.

## SOPAC Core as a Division of SPC



Total Risk Score = 268

Average Risk Score = 7.4

## SECTION 4. RISK ASSESSMENT MATRIX

This section outlines all risks identified and assessed (see Appendix A).

#	Category	Risk Description	RI	L	RR
1	Inception	MOU not signed between organisations	5	2	10
2	Governing Councils	Members do not endorse the proposed institutional arrangement	5	3	15
3		Members not willing to provide the necessary resources to implement the arrangement	3	2	6
4	Legal Frameworks	No consensus on which Agreement to use as basis of integration & reform	0	0	0
5		Members do not accept amendments to Canberra Agreement	0	0	0
6		SOPAC members do not agree to dissolve /suspend the Agreement	3	1	3
7	Coordination & Direction of Implementation	Change Committee not adequately functioning	4	2	8
8		Lack of strategic direction for new Division	2	1	2
9		Unsustained service delivery during implementation	5	2	10
10	Executive Management	Director not in place during implementation	4	2	8
11		Change Leaders from SOPAC and SPC not in place during implementation	3	3	9

#	Category	Risk Description	RI	L	RR
12	Delivery of Services	Suva Campus not retained (decentralisation)	5	0	0
13		Costly, inefficient modes for delivery of technical services (modalities)	4	2	8
14		Development Partners' relations damaged	4	3	12
15	Strategic Planning and Programming	Strategic Planner not in place during implementation	2	2	4
16		Strategic Plan not endorsed by members	5	2	10
17		Monitoring and evaluation of technical service delivery not retained	3	2	6
18		Conflict of interests in existing mandates and core service functions	2	2	4
19		ICR Recommendations not fully implemented	0	0	0
20		Non-acceptance of the New Agency as an "International Agency" by the EU	0	0	0
21	Finance	Members' Contribution insufficient to sustain new arrangements	3	2	6
22		Fiji annual grant to SOPAC not retained	3	4	12
23		Insufficient Programme and Project Funding for sustained service delivery	5	2	10
24		Existing and new contractual Partner Agreements not retained nor established	5	2	10

#	Category	Risk Description	RI	L	RR
25		Financial Regulations and Services not harmonised in the context of CROP	3	2	6
26		Best practices in Financial Regulations and Services not adopted	4	2	8
27		Assets - insufficient funds for maintenance and acquisition of field and marine equipment	5	3	15
28	Human Resources	Staff remuneration levels not harmonised in the context of CROP	4	4	16
29		Adequate Performance Management System not in place	4	2	8
30		Staff development not enhanced by new arrangement	3	3	9
31		Loss of key technical personnel (staff contracts not honoured under new arrangement)	5	3	15
32		Corporate and institutional memory not retained for management of programmes during implementation	4	3	12
33	Communications & Information	Communication between campuses inefficient and ineffective	4	2	8
34		Library services not maintained / harmonised	2	2	4
35		Information management system is ineffective and inappropriate	4	2	8
36		Editorial and publication services (including translation services) inadequate	3	2	6



## SECTION 5. SUGGESTED ACTIONS

### SOPAC/SPC RIF Risk Management Plan 2009 - 2010

The following recommendations form the basis of a risk management plan for the RIF implementation process. The recommendations are listed for risks, which have been assessed with the highest risk exposure, that is the risks that are most likely to cause the greatest loss. Recommendations have been made for improvement actions of seven risks assessed to have a "Risk Exposure" of 15 and greater.

RISK	RISK EXPOSURE	RECOMMENDATIONS	RESPONSIBILITY	PRIORITY	COMPLETION DATE
<b>Human Resources</b> <i>Staff remuneration levels not harmonised in the context of CROP</i>	16	Regularisation of the CROP decision of 2008 relating to remuneration is to be tabled at the CRGA October 2009 with January 2010 implementation.	DG-SPC	A	Jan 2010
<b>Governing Councils - Members do not endorse the proposed institutional arrangement (15)</b>	15	Achieved – Joint Meeting of Governing Bodies of SOPAC, SPREP and SPC in July 2009 decided to endorse new regional institutional arrangements	CEOs	A	July 2009
<b>Assets</b> <i>Insufficient funds for maintenance and acquisition of field and marine equipment.</i>	15	Important considerations to be reflected in the new Strategic Plan of the SOPAC Division; as well as annual work plan and budget.	SPC DG Divisional Director	A	Oct 2010 ongoing
<b>Human Resources</b> <i>Loss of key technical personnel (staff contracts not honoured under new arrangement)</i>	15	Staff will maintain SOPAC contracts until October 2010. Assurances given that SOPAC personnel will be retained to diminution of SOPAC services which is a key RIF objective.	SPC DG SPC Director - CS	A	Oct 2010

RISK	RISK EXPOSURE	RECOMMENDATIONS	RESPONSIBILITY	PRIORITY	COMPLETION DATE
<b>Human Resources</b> <i>Corporate and institutional memory not retained for management of programmes during implementation</i>	12	Intention is to retain programme managers for OIP, CRP and for the Water Sector Programme. This will ensure continued delivery over the implementation period as well as plus contributions toward the new strategic plan.	SPC-DG Divisional Director	A	2010 ++
Delivery of Services <i>Development Partners' relations damaged</i>	12	Consider maintaining the SOPAC Brand; Provide regular updates to partners on progress toward full implementation of the RIF decision.	DG-SPC Divisional D	A	2010++
<b>Finance</b> <i>Fiji annual grant to SOPAC not retained</i>	12	Commence discussions with GoF on the matter of retaining the Grant for technical work programme delivery of SOPAC Division	SPC DG SOPAC D	A	asap

## RISK MEASUREMENT SCALE

### **High**

Risk would lead to a breach of terms of the agreement leading to non-performance and, loss of reputation and Donor confidence. Major executive management time required for remedial actions.

### **Medium**

Risk may require reasonable management input to resolve. Performance variation to Donor may be required. Significant management time and cost variation required.

### **Low**

Risk may require limited management time to resolve. May lead to minor variation in performance.

## APPENDIX A. RISK ASSESSMENT SCALES

### Risk Impact Assessment

<b><i>Impact Rating</i></b>	<b><i>Descriptor</i></b>	<b><i>Examples</i></b>
5	Severe	<input type="checkbox"/> Extreme event leads to loss of Secretariat facilities <input type="checkbox"/> Unsafe work practices leads to death of an employee <input type="checkbox"/> Non-performance leads to loss of confidence of development assistance partners
4	High	<input type="checkbox"/> Extreme event leads to closure of Secretariat <input type="checkbox"/> Failure to be responsive to the needs of the membership leads to loss of support
3	Medium	<input type="checkbox"/> Loss of key personnel <input type="checkbox"/> Unsatisfactory monitoring of performance leads to poor reporting of variations
2	Moderate	<input type="checkbox"/> Unsafe work practices leads to serious injury <input type="checkbox"/> Fraud
1	Low	<input type="checkbox"/> Delegations exceeded <input type="checkbox"/> Personal grievance claim

## Control Effectiveness Assessment

<b><i>Effectiveness Rating</i></b>	<b><i>Descriptor</i></b>	<b><i>Definition</i></b>
1	Excellent	The controls in place mitigate the risk to the maximum extent and are being performed in the manner for which they were designed.
2	Very Good	The controls are very good. There is room for a small improvement.
3	Good	The majority of the risk is managed, however there is potential for the controls to fail. An improvement is recommended.
4	Unacceptable	The controls and procedures manage the risk at face value, however there is a great reliance on them operating correctly without any checks or assurances. Attention needs to be given to the management of this risk.
5	Non Existent	The controls are largely ineffective. Urgent attention needs to be given to implementing new controls.