

## OPERATING POLICIES AND PROCEDURES

### Chapter 4

#### Risk Management Policy and Procedures

1 September 2013

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#### 1. Policy

- 1.1 The PIDG Members require a strong risk awareness and risk intelligence culture in all PIDG Participants. Recognising the responsibility for good stewardship of public and private funds at all levels, the PIDG Members are unequivocal in their view that the management of risk, in particular the misuse of public funds, across all areas of the PIDG should be treated with the utmost vigour.
- 1.2 Damage to any part of the PIDG is damage to the whole, and anything that undermines the credibility or integrity of a part of PIDG undermines the PIDG as a whole.
- 1.3 The places where PIDG Participants operate gives rise to considerable risk along all parts of the value chain, especially in the field. Accordingly PIDG Participants have to be even more vigilant than may otherwise be the case.
- 1.4 Recognising that it is impossible to eliminate risk in its entirety, the PIDG Members seek to understand the levels of their risk as far as possible, in order to make an informed decision about appropriate levels of risk acceptance. A robust risk reporting control mechanism is required in all PIDG Facilities.
- 1.5 In all cases, the possession of risk intelligence should be optimised. Reporting of risks from all PIDG Facilities is deemed both essential and fundamental to strong risk management.
- 1.6 A key part of risk management is the adherence to robust operating policies and procedures. The expectation is that through adoption of this Risk Management Policy and Procedure as a minimum, all PIDG Participants will mitigate risk. PIDG Participants may, of course, choose to develop additional and/or equivalent controls.
- 1.7 Risk profiles will vary according to the circumstances and location of the PIDG Facility.

#### 2. Procedures

- 2.1 Each PIDG Participant has a duty to disclose all material risks to the PIDG Members through the PMU, and in the case of the PMU, the Chair's Office. 'Material' in this context means all issues of possible fraud or corruption, any financial issues of personal improbity to whatever value, transactional inaccuracies of US\$300 or more and any possible transactions that may be open to misrepresentation or misunderstanding. Any risk to the reputation of PIDG Members is considered material.

- 2.2 All PIDG Facilities should be able to demonstrate appropriate independent risk governance, for example through a risk or audit committee, or equivalent. All PIDG Facilities must hold appropriate documentation to evidence their effective risk management, and to evidence their self-awareness of retained risks.
- 2.3 The directors of all PIDG Facilities are responsible for assessing the risk appetite and likely returns, both social and economic, of the PIDG Facility.
- 2.4 An example of a risk matrix for the PIDG Facilities is shown in Appendix I. This is not intended to be exhaustive or prescriptive, but any risk management systems currently in use would be expected to include at least a review of each of the issues that apply to the PIDG Facility. All PIDG Participants will have fit for purpose risk management processes, and report their risks as they perceive them as soon as they arise and then provide a quarterly summary to the PMU in their quarterly report.
- 2.5 Each PIDG Facility will conduct its own internal review of risk management as considered appropriate by the directors and report to their funding PIDG Members on the outcome of such reviews and generally on risk management issues as agreed from time to time with their funding PIDG Members.
- 2.6 The general approach to risk management should seek to avoid being purely mechanistic. PIDG Participants are encouraged to take time out to consider the question of risk in a wider context than merely the completion of routine paperwork (important though this is). For example, best practice would include taking time away to discuss the issues of risk on a “what if?” or “what could go wrong?” basis. During such conversations PIDG Participants should seek to review the level of contingency plans they may have in place, especially where high levels of retained risks have been accepted or identified. The question “What keeps you awake at night?” with regard to PIDG-wide issues should be asked widely on a regular basis. Any issues around potential conflict of interest or any related party transactions are especially important and should be managed.

**Appendix I**

**Example of PIDG Facility Risk Matrix**