

## **FMM 02.8 Risk Management and Planning**

### **8.1 Authority or Prescribed Requirements**

- Public Finances (Management) Act (PFMA) mandates sound financial management, including the identification and mitigation of fiscal risks.
- Cybercrime Code Act 2016 provides legal requirements for cybersecurity and digital risk management.
- Audit Act 1989 empowers the Auditor-General to assess the adequacy of risk management practices within public entities.
- Climate Change (Management) Act 2015 requires the inclusion of climate risks in fiscal planning and public asset management.

### **8.2 Relevant Standards and Supporting Documentation**

- International Public Sector Accounting Standards (IPSAS) 1 requires entities to disclose information about risks that may affect financial performance or position, including uncertainties and assumptions underlying key estimates.
- IPSAS 19 – Provisions, Contingent Liabilities, and Contingent Assets provides guidance on recognising and disclosing provisions for risks that could result in liabilities, such as lawsuits, guarantees, or future obligations.
- IPSAS 24 – Presentation of Budget Information in Financial Statements outlines the need to monitor and disclose significant variances between approved budgets and actual results (and where there are financial or operational risks).
- IPSAS 30 – Financial Instruments: Disclosures requires entities to disclose financial risks, including credit risk, liquidity risk, and market risk, along with how these risks are managed.

### **8.3 Minimum Responsibilities**

Departmental heads are responsible for:

- Ensuring the agency has a robust risk management framework.
- Regularly review and update risk registers, including fiscal risks.

- Delegations of specific responsibilities for risk management and planning to:
  - Identify, assess, and monitor financial and operational risks.
  - Develop mitigation strategies and ensure alignment with the agency's objectives.

Internal audit units are to regularly audit risk systems and recommend corrective actions.

## **8.4 Mandated Policy**

- 1. All public entities must establish, implement, and maintain a risk management framework to safeguard public funds, ensure operational efficiency, and promote accountability.**
- 2. Risk management must be integrated into all financial and operational processes, including budgeting, procurement, asset management, and reporting.**
- 3. Risk assessments must be conducted periodically, and emerging risks must be addressed promptly.**
- 4. Entities must document all risk management activities and make them available for review by oversight bodies, including internal and external auditors and regulators.**
- 5. Public entities must ensure staff are trained in risk identification, mitigation, and monitoring, fostering a culture of accountability and vigilance.**
- 6. Public entities are to commence establishing steps to identify and document climate change related risks and factoring these risks into strategic, operational, and investment planning, particularly for major infrastructure assets**

## **8.5 Non-mandatory Guidance**

### **8.5.1 Climate Change and Resilience**

Given the importance of climate change resilience and its impact on the financial sustainability of an agency, departmental heads must undertake the

following measures to ensure their agencies are effectively contributing to climate adaptation and mitigation efforts:

1. All agencies should identify and document climate-related risks in their risk registers and monitored by their Audit and Risk Committee. These risks include physical risks (e.g., extreme weather events) and transition risks (e.g., policy shifts toward low-carbon economies).
2. Agencies should maintain a Fixed Asset Register that includes climate vulnerability and resilience information for major public assets.
3. Agencies should track and report on climate-related expenditures and outcomes.
4. Internal controls must be enhanced to address climate risks. This includes integrating climate resilience in procurement, project approvals, and operational processes.
5. Agencies should raise awareness and provide regular training to staff on climate change risks, resilience strategies, and their roles in supporting climate-responsive PFM practices.

As public officers overseeing public funds, it is important that we assist in the risk assessment of climate change and incorporate into policy and planning. This includes evaluating potential financial impacts of climate risks on our budgets.

The PNG Climate Change (Management) Act 2015 and the PFMA guide the integration of climate considerations into PFM and the Climate Change Development Authority has significant resources available on frameworks to support climate change <https://ccda.gov.pg/>.

All assets developed, planned, or acquired must undergo a climate risk assessment and how these are valued should also reflect their climate change risk. This ensures that their design, location, and operation account for potential climate impacts, such as flooding, extreme heat, or rising sea levels.

### **8.5.2 Purpose of Risk Management in PFM**

Risk management ensures that agencies anticipate and mitigate risks that could impact the achievement of financial and operational objectives.

Fiscal risks, such as revenue shortfalls, unanticipated expenditures, or natural disasters, must be integrated into the agency's risk management framework

including cybersecurity and digital risks which present significant threats that can compromise financial systems and data integrity. Major areas of risks to consider related to PFM:

- Budget overruns
- Revenue shortfalls/ volatility in warrants
- Debt sustainability
- Inefficiencies in service delivery
- Non-compliance with financial policies
- Misappropriation of funds
- Bribery and procurement fraud
- Misalignment with national objectives
- Poorly planned projects
- Data breaches
- Cyberattacks on financial systems
- Loss of critical financial data
- Fiscal impacts from natural disasters
- Infrastructure vulnerabilities
- Public perception of misuse of funds.
- Lack of transparency and accountability.

<b>Further Information</b>	<a href="mailto:frcd@finance.gov.pg">frcd@finance.gov.pg</a>
<b>Version</b>	1.0
<b>Date Issued</b>	30 June 2025