DEPARTMENT OF MANAGEMENT AUDIT

RISK MANAGEMENT FRAMEWORK

- **Vision**

  To be the most outstanding and value adding Management Audit Partner, for the best performance and accountability of public service.

- **Mission**

  To providing assistance and guidance to achieve the expected outcomes of public sector organizations by strengthening internal control and procedures.

- **Objectives**

  1. To Contribute to enhance the efficiency and effectiveness of Internal Audit in Public Sector.
  2. To Strengthen the Internal Audit through Audit and Management Committees.
  3. To introduce necessary Guidelines for the development of Internal Audit.
  4. To strengthen the process of Management Audit in Development Projects.
  5. To disclose irregularities that have occurred and prevent future irregularities in the public sector through special investigations and to introduce preventive measures and recommendations to avoid such situations.

- **Functions**

1. Introduce efficient and effective internal control mechanisms.

2. Issue Circulars and Guidelines on internal control.

3. Coordinate and guide Internal Audit Units in public sector organizations.

4. Develop the capacity of Internal Auditors and supporting staff in public sector organizations.

5. Represent and Guide the Audit and Management Committees of Ministries, Special spending units, Provincial Councils, Departments, District Secretariats, and Project internal review committees.

6. Conduct special investigations and special audits.

7. Participate in the Committee on Public Accounts and submit summary treasury report to COPA.

8. Review the performance of public sector Chief Internal Auditors and Internal Auditors.

9. Conduct department operational activities.

RISK CULTURE FRAMEWORK FOR THE DEPARTMENT OF MANAGEMENT AUDIT

The Department of Management Audit (DMA) has developed a comprehensive risk culture framework aligned with its core functions to strengthen governance, accountability, and decision making in the public sector. Key objectives include embedding risk awareness, promoting resilience and ensuring compliance with the DMA circular 1/2024.

By integrating risk management into activities like AMC meetings, auditor training and COPA representation, the framework fosters transparency and operational excellence.

KEY FEATURES OF THE FRAMEWORK

1. Leadership commitment   -   Demonstrates risk awareness at all organizational levels

2. Employee engagement   -   Involves all staff in risk identification and management

3. Training and capacity building -   Enhance skills for proactive risk mitigation

4. Risk communication   -   Establish clear channels for sharing risk and insights

5. Integration with core functions -   Embeds risk practices in daily operations

STRATEGIES

1. **AMC Meetings (Participation and Guidance)**

➢ Key Activities
   1. Ensuring timely scheduling and participation AMC Meeting
   2. Providing accurate, Relevant and timely guidance to Ministries, Department etc. on audit and management issues
   3. Documenting and reporting on decision made during the meeting

➢ Strategies
   1. Priorities scheduling – Develop a priority scheduling system to ensure that AMC meetings are held on time especially for his priority ministries or department
   2. Standardized guidance materials – prepare standardized templates and checklist for guidance to streamline advice during meeting, minimizing preparation time and reducing disruption
   3. Backup representatives – Assign alternate officers to step in if primary representative face scheduling conflicts, ensuring continuity in meeting participation.
   4. Risk contingency plans – Develop contingency plans for operational challenges such as virtual meeting platforms in case physical participation.

2. COPA Meeting Representation

➢ Key Activities

1. Ensuring timely and well-prepared representation at COPA meetings.

2. Providing accurate, relevant, and data-driven insights on audit and financial matters.

3. Documenting discussions, recommendations, and action points from COPA meetings.

4. Following up on decisions made and ensuring their implementation within ministries and departments.

➢ Strategies

1. Priority-based Scheduling – Develop a structured approach to prioritize COPA meetings, ensuring representation in high-impact sessions.

2. Pre-Meeting Briefings – Conduct internal briefings before COPA meetings to ensure representatives are well-prepared with necessary data and analysis.

3. Standardized Reporting Framework – Implement a consistent format for documenting and reporting discussions, recommendations, and follow-ups from COPA meetings.

4. Alternative Representation Plan – Assign backup officers to attend COPA meetings in case of scheduling conflicts to ensure uninterrupted participation.

5. Digital Documentation and Tracking – Develop a centralized digital system to track discussions, decisions, and follow-ups, ensuring better accountability and implementation of COPA recommendations.

3. Internal Auditor Training

➢ Key Activities
1. Organizing and conducting regular training programs for internal auditors and their staff from ministries department etc.
2. Updating the curriculum and materials to align with evolving audit standards, Guideline, Circulars etc.

➢ Strategies
1. Training calendar – establish a rolling calendar with planned training sessions to manage any delays or rescheduling proactively.
2. Online Training solutions – Develop online training platform to ensure training continues even if in – person session are delayed or canceled due to operational challenge
3. Feedback loops – Introduce real time feedback mechanisms during training sessions to identify and address operational bottlenecks early on.

4. Special Investigations

➢ Key Activities

1. Conducting special investigations for ministries / Department and other government institution based on petitions and inquiries
2. Ensuring that investigations are thorough and completed within a reasonable timeframe

➢ Strategies

1. Investigation prioritization – Prioritize critical investigations to manage workload and reduce the impact or delays on the most sensitive case
2. Investigative checklists – use checklists for key investigative steps to standardize and streamline the process, minimizing delays from manual oversights.
3. Resource Pooling – pooling resources (eg: technology, skilled staff) from access department to ensure investigation are completed on time even if some resources face operational disruptions.

4. **Finance and Administration**

   ➢ Key activities

      1. Managing the departments' finance including budgeting, reporting and day – to –day administration.

      2. Ensuring financial controls are in place and adhered to for accurate financial reporting

   ➢ Strategies

      1. Introduce automated systems for key processes to reduce the risk of operation delays.

      2. Delegation of Administrative Tasks – Implement task delegation processes so that administrative functions are covered by multiple staff members to avoid delays due to resource shortages.

      3. Backup system – establish backup system (both manual and digital) for financial data management in case of system failures or operational disruptions.

RISK APPETITE

Introduction

The Department of Management Audit (DMA) plays a crucial role in ensuring effective governance, financial oversight, and internal audit functions across government ministries and departments. This **Risk Appetite Summary Report** outlines the department's approach to managing various risk categories, ensuring that operations align with national policies and governance standards while maintaining efficiency and integrity.

Risk Appetite Overview

The DMA adopts a structured approach to risk management, categorizing risks based on their impact and tolerance levels. Risk areas are assessed across five key dimensions: **Operational, Compliance & Legal, Reputational, Strategic, and Political/Geopolitical Risks**. The following sections summarize the department's risk appetite for each area and the corresponding mitigation strategies.

1. Operational Risks

Operational risks pertain to disruptions affecting the efficiency of key activities, such as **Audit & Management Committee (AMC) meetings, Committee on Public Accounts (COPA) participation, internal auditor training, special investigations, and departmental finance & administration**.

- **Risk Appetite: Medium** – The department is willing to tolerate operational risks such as logistical challenges, provided they do not severely impact core functions.
- **Mitigation Strategies:**
    - Contingency planning for AMC and COPA meetings, including hybrid participation options.
    - Resource allocation to ensure smooth execution of training and investigations.
    - Prioritization of critical investigations to maintain integrity.
    - Process automation to prevent administrative delays.

2. Compliance & Legal Risks

Compliance and legal risks involve non-adherence to regulatory requirements, governance frameworks, and Treasury regulations.

- **Risk Appetite: Low** – Strict compliance with legal frameworks is required to prevent governance failures.
- **Mitigation Strategies:**
    - Development and adherence to **Standard Operating Procedures (SOPs)** for compliance.
    - Periodic **compliance training** for staff and internal auditors.
    - Implementation of **pre-meeting compliance checks** and regular internal audits.
    - Transparency in financial management to minimize compliance risks.

3. Reputational Risks

Reputational risks arise from failures in delivering core functions, impacting public trust and credibility.

- **Risk Appetite: Very Low** – The DMA prioritizes transparency, accountability, and high governance standards.
- **Mitigation Strategies:**
    - Establishing rigorous **quality assurance measures** for AMC and COPA meetings.
    - Maintaining clear and transparent **stakeholder communication**.
    - Implementing **feedback mechanisms** for continuous improvement.
    - Ensuring **high standards for internal auditor training**.

4. Strategic Risks

Strategic risks relate to decisions affecting the department's long-term objectives, including alignment with **national audit policies, governance reforms, and modernization initiatives**.

- **Risk Appetite: Medium** – The department is willing to accept strategic risks that support long-term improvements but will not tolerate risks that jeopardize core functions.
- **Mitigation Strategies:**
  - Ensuring **alignment with national governance policies**.
  - Implementing **pilot programs** before major strategy shifts.
  - Adopting **flexible training models** and resource allocation frameworks.
  - Regular evaluation of strategic decisions to maintain governance effectiveness.
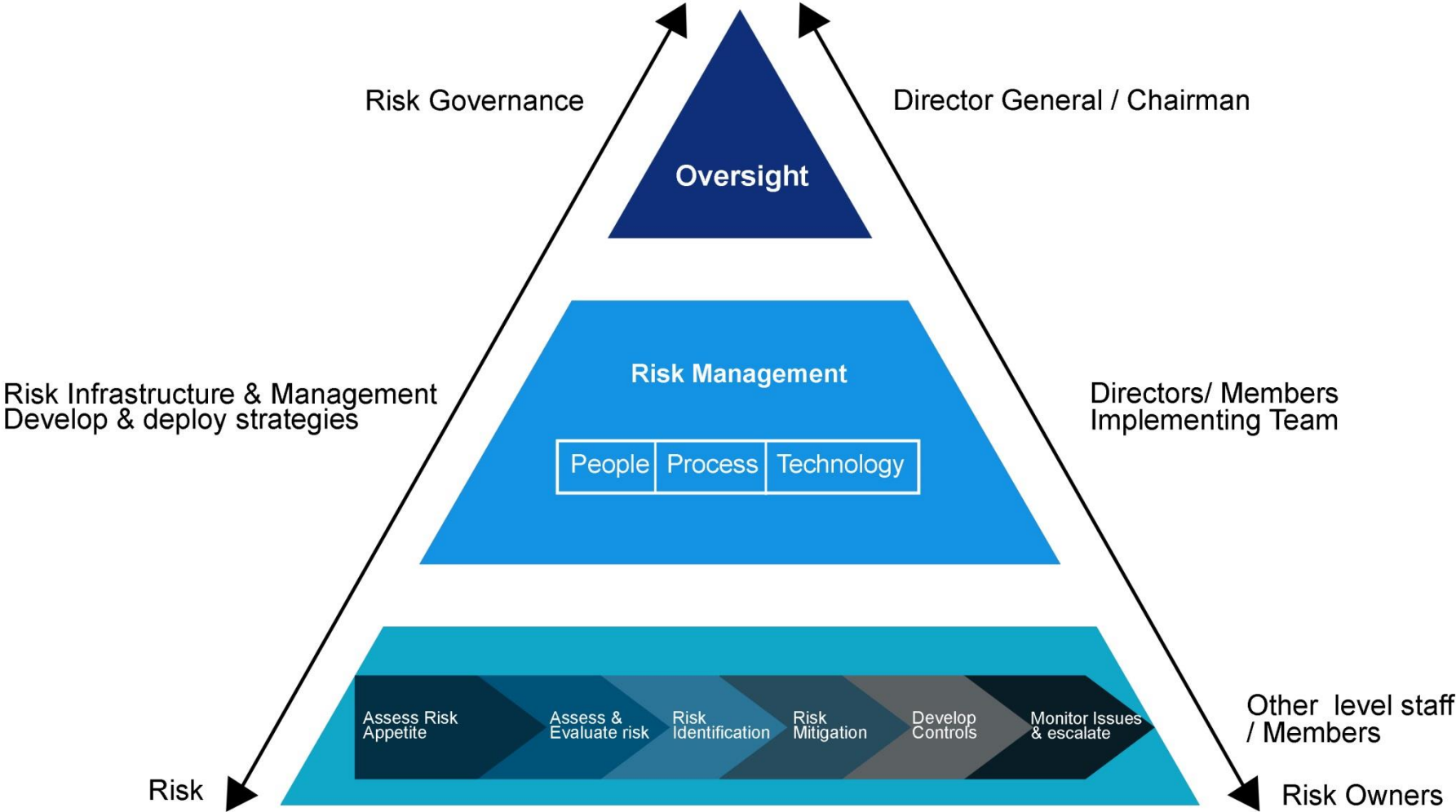
5. Political & Geopolitical Risks

These risks arise from external political and geopolitical influences that may affect the department's operations, funding, and governance framework.

- **Risk Appetite: Low** – The department maintains neutrality and seeks to operate within a stable governance framework.
- **Mitigation Strategies:**
  - Reinforcing **neutrality and transparency** in all governance activities.
  - Monitoring **political developments** to anticipate risks.
  - Establishing **contingency plans** for budget and policy changes.
  - Securing **alternative funding sources** for training and operational sustainability.

Conclusion

The Department of Management Audit has developed a comprehensive risk appetite framework to balance risk tolerance with operational efficiency. By implementing **proactive mitigation strategies**, the department ensures that risks are managed effectively while maintaining **high governance standards and accountability**. This risk appetite approach supports the DMA's **commitment to transparency, efficiency, and long-term sustainability** in government audit functions.

Department Risk Management (DRM)

Risk Governance — Oversight — Director General / Chairman

Risk Infrastructure & Management
Develop & deploy strategies — Risk Management — Directors/ Members Implementing Team

People | Process | Technology

Risk — Assess Risk Appetite | Assess & Evaluate risk | Risk Identification | Risk Mitigation | Develop Controls | Monitor Issues & escalate — Risk Owners

Other level staff / Members

Operationalizing the three lines of defense in the Department of Management Audit

1st

Line of Defense

Risk taking & ownership section

Proactive identification, assessment and measuring of risk. The risk line manage day to day operations within the limits specified by the risk appetite framework

2nd

Line of Defense

Risk management control & oversight by the Risk committee

Development & execution of the risk management framework while setting the risk setting the risk appetite & establishing the risk culture throughout department. providing guidance & support to first line of defense & the management of risk activities.

3rd

Line of Defense

Assurance by Internal Audit

Provide independent & objective assurance to the Head of Department on the effectiveness of risk management & internal control.

DEPARTMENT OF MANAGEMENT AUDIT RISK COMMITTEE CHARTER

1. Introduction

The Risk Committee of the Department of Management Audit (DMA) is established to provide oversight and guidance on risk management practices within the department. The committee ensures that risks are identified, assessed, and managed in alignment with the department's objectives and government policies.

2. Purpose

The primary purpose of the Risk Committee is to enhance the department's governance by:

- Identifying and assessing key risks related to the department's functions.
- Ensuring appropriate risk mitigation measures are in place.
- Promoting a risk-aware culture within the DMA.
- Advising on the risk management framework and policies.

3. Composition

The Risk Committee shall comprise the following members:

- Chairperson: Director General of the DMA.
- Officer in Charge risk: Additional Director General(Policy & Regulation)
- Representatives from key functional areas (e.g., AMC, COPA, Investigation, Training Accounts & Administration)
- External advisors (if required) with expertise in risk management and governance.

4. Roles and Responsibilities

The Risk Committee shall:

- Review and approve the department's risk management framework.
- Monitor and evaluate the effectiveness of risk management processes.
- Ensure compliance with national policies and risk management guidelines.
- Provide recommendations on mitigating strategic, operational, compliance, and financial risks.
- Report risk-related issues to relevant authorities when necessary.

5. Meetings

- The committee shall meet **quarterly** or as needed.
- Special meetings may be convened in response to urgent risk matters.
- A quorum shall consist of a majority of the committee members.
- Minutes shall be recorded and approved at each meeting.

6. Reporting and Accountability

- The Risk Committee shall submit periodic reports to the Secretary to the Treasury.
- Key risk findings and recommendations shall be incorporated into the department's annual performance review.

7. Review and Amendments

- This charter shall be reviewed annually to ensure its relevance and effectiveness. Amendments may be made with the approval of the Director General of the DMA.