

Administrative Order No. 12
Series of 2021

SUBJECT: ESTABLISHMENT OF THE RISK MANAGEMENT OFFICE (RMO)

I. Rationale

This policy sets out the Department's commitment to create an integrated approach to risk management that can be applied consistently to all areas of the Department's operations. It shall enable the Department to achieve its strategic and operational objectives and create an environment where all employees assume responsibility for risk management.

The purpose of this policy is to define the Department's risk culture, ensure the Department's approach to risk helps to achieve its strategic and operational objectives, help everyone in the Department understand their role on risk management so that it is embedded in the Department's culture, provide core principles on how to identify, assess and manage risk, foster a culture where we all take responsibility for managing risk, and create a consistent, measurable approach to risk management that can be consistently apply to all areas of the Department's operations, and these objectives can only be achieve through the establishment of a permanent Risk Management Office which is the subject of this policy issuance.

Further, with the aim of developing an efficient and sustainable risk management function that is embraced all throughout the organization. It is therefore an imperative for a Risk Management Office, which will become the reference point to ensure sustainability of the enterprise risk management implementation in the Department. The creation of a permanent Risk Management Office and the appointment of a Director, as a Chief Risk Officer, are crucial elements in the success and sustainability of the Department's Enterprise Risk Management (ERM).

II. Legal Bases

- a. **DBM Circular Letter 2008-08 dated 23 October 2008, the National Guidelines on Internal Control System.** It is a benchmark towards designing, installing, implementing, and monitoring internal control system in the public service. *It enumerated the five key components of COSO internal control framework which includes risk assessment.*
- b. **Memorandum Circular No. 27 series of 2014 (Enhanced DSWD Risk Management Framework)** adopting the Enterprise Risk Management Framework aligned with ISO 31000:2009 Risk Management – Principles and Guidelines.
- c. **Republic Act No. 11032 or the Ease of Doing Business and Efficient Government Services Delivery Act of 2018** which mandated all governments offices, agencies, and local government units to review and harmonized existing regulations and repeal unnecessary and redundant policies to lessen regulatory burdens.



- d. **Administrative Order No. 6 series of 2019 (Support to Operations- Policy and Plans OBSUs Descriptions and KRAs)** which GRD as part of PDPB is expected to lead in the formulation of Department's risk treatment plan.
- e. **Internal Auditing Standards for Philippine Public Sector (IASPPS)** which provide the standard, particularly Performance Standard 2010.1, for Government Internal Audit to consider risk management framework of the agency in the development of its Strategic Risk-Based Audit Plan. *Development ERM Framework and review of ERM Policy is a function of a Risk Management Office.*

III. Scope

This policy applies to the Department's Central Office, Field Offices, Program Management Offices, and Centers/Institutions operations. It relates to all officials and staff and to anyone authorized to undertake the Department's business or activities.

IV. Definition of Terms

For the purposes of this order and other related documents, the following definitions shall apply:

- a. **Enterprise Risk Management Framework (ERMF)** refers to the set of components that provide the methodology, processes, definitions and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management.
- b. **Residual risk** refers to the remaining risk after controls have been put into place or after management has acted to alter the risk's likelihood or consequence.
- c. **Risk** refers to uncertainties that affect achievement of the objectives. The effect can be positive or negative.
- d. **Risk appetite** refers to the amount or level of risk, that the Department is willing to accept in pursuit of its mission or vision.
- e. **Risk Appetite Statement (RAS)** refers to an essential component of the Enterprise Risk Management Framework and provides the details of the appetite and type of risk that the Department is willing to pursue, retain, accept, or tolerate in pursuit of the strategic and operational objectives. The RAS is approved by the Department Secretary as recommended by the Executive Committee and the Management Committee.
- f. **Risk assessment** refers to the overall process of risk analysis and risk evaluation.
- g. **Risk identification** refers to the process of determining what can happen, why and how.
- h. **Risk management** refers to the coordinated activities to direct the Department towards realizing potential opportunities whilst managing adverse effects of risks.

- i. **Risk register** refers to the summarized record of all individual risks within each assessment. It includes risk ratings (inherent, residual, and targeted), levels of control, risk decision, responsible officer, and summary of key controls and/or mitigating actions.
- j. **Senior Management** refers to the relevant Department Secretary, Undersecretaries, Assistant Secretaries, and Directors.
- k. **Target residual risk** refers to the desired level of risk after the assessment of the residual risk.
- l. **Tolerance** refers to the boundaries of acceptable variation in performance related to achieving business objective.

V. **Creation of the Risk Management Office**

A Risk Management Office (RMO), under the leadership of the Director, shall be created under Policy and Plans Group (PPG) to review and develop the ERM framework and policies; methodologies and tools; and monitoring and reporting of key risk issues.

The RMO is a business function set up to manage the risk management process on day-to-day basis. The RMO is incorporated into the Department's Risk Management Framework. The risk management process, to which the RMO is responsible, shall be integrated into the Department's internal control system.

VI. **Functions of the Risk Management Office**

Generally, the RMO shall perform the following functions:

1. Coordinate the implementation of an Enterprise Risk Management Framework;
2. Check the methodologies and processes of managing risk are being followed in the manner intended;
3. Formulate risk management strategies and making functional risk decisions;
4. Support management and business units in implementing the approved Risk Management Policies and processes, and ensure they are integrated into the business operations and with Internal Control and compliance processes;
5. Coordinate with concerned office the process to identify, measure, control or mitigate, treat, monitor and report risk exposures;
6. Keep the management informed of the latest development in international standards and practices on Risk Management (in general and specific to financial institutions); and
7. Provide technical advice and support to management in improving and advancing the Risk Management system of the Department as the legal and regulatory environment, standards and/or business focus of the Department change.



Specifically, the RMO will perform the following functions:

- **Risk Governance**

- Assist in developing the Risk Management Policy and Process to meet legal and regulatory requirements in Risk Management, to manage risks critical to the Department's operations, including non-financial risks.
- Develop an overall Risk Management strategy, including specific strategies for strategic, operation, compliance, integrity or reputational and other key risks of the Department.
- Provide analytical and administrative support to the operations of the executive level risk committees and management in discharging their duties in relation to Risk Management.
- Coordinate the development of a Public Service Continuity strategy and plans to ensure Public Service Continuity in the events of public service interruption.
- Keep up to date with development and changes in the legal/regulatory regime, external risk landscape, international standards and methodologies related to Risk Management.
- Support Management to inculcate a Risk Culture throughout the Department.

- **Risk Appetite / Tolerance Review**

- Provide analytical support for the setting of Risk Appetite / Tolerance levels, including specific internal limits for various risk categories.
- Review at least annually or upon request by the management the Risk Appetite/Tolerance based on changes and development of the Department's operations, and the legislative and regulatory requirements, and make recommendations to the management as appropriate.

- **Risk Identification, Assessments, Control and Monitoring**

- Set up the Risk Management Process based on standards adopted by the Department.
- Set up the risk identification and assessment methodologies, and provide technical support to management and business units.
- Coordinate periodic risk assessments.
- Monitor the key risks and Key Risks Indicators, report anomalies, escalate risk issues and recommend corrective actions.
- Coordinate the set up and maintenance of a Risk Register and other risk information with clearly defined risk categories and risks.
- Provide analytical and administrative support to the business units in Risk Assessment and Measurements.
- Facilitate the integration of Risk Management into daily business operations.
- Support the implementation of an enterprise-wide Risk Management Process in accordance with international standards (such as ISO 31000).
- Review periodically, under the direction of the Director and/or guidance of external advisors, the effectiveness of the Risk Management System in light of changes to its risk profiles and the external risk landscape.



- **Risk Decision Support at Management Level**
 - Perform quantitative and qualitative assessment of risks the Department is exposed to.
 - Perform assessment of operation efficiency.
 - Support investigations of incidents and near misses.
 - On the basis of the overall Risk Appetite/Tolerance of the Department, prepare proposals on risk limits to be considered at the various executive-level risk committees.
 - Implement IT solutions to Risk Management Process.
 - Provide analytical support to ensure legal and regulatory compliance.

- **Risk Communication and Reporting**
 - Maintain and ensure consistency of the categorization and definitions of risks and terminologies used throughout the Department.
 - Document the Risk Management program of the Department.
 - Collate the report of Key Risk Indicators and other relevant risk information.
 - Review and recommend to management format and content of risk reports to different levels of management and operations.
 - Check risk information provided by management is complete and accurate and management has made all reasonable endeavor to identify and assess all key risks.
 - Disclose risk information externally, specifically price-sensitive information in accordance with the disclosure policy approved by the management.
 - Prepare reports on significant risks based on the ExeCom-approved criteria for reporting and escalation of risks to management.

- **Public Service Continuity Planning**
 - Coordinate the development of Public Service Continuity Plan which is ready to invoke in response to natural or man-made events that may lead to public service interruption and/or losses to the Department. The plan shall lay down detailed organization, procedures, checklists and templates to enable efficient and effective responses to a crisis, continuity of critical operating functions, and full recovery of the operations. Specifically, the RMO is responsible to:
 - Manage development and implementation of the Public Service Continuity Plan (PSCP).
 - Provide inputs, support and liaison as required to business units on the public service continuity planning process to ensure plans are up to date and relevant.
 - Schedule and coordinate regular testing of plans.
 - Coordinate the escalation of the risk issues to the through the Director, and activation of PSCP.
 - Coordinate ongoing training, education and awareness of PSCP.

VII. Organization, Composition, and Organizational Structure

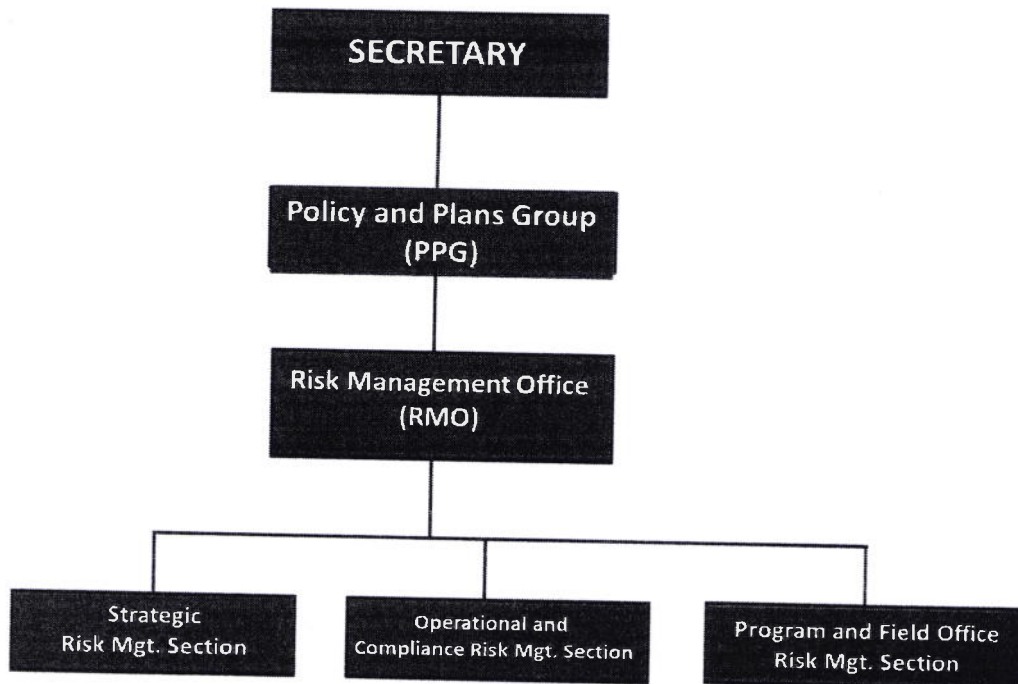
The Risk Management Office shall be a separate office to be lodged under Policy and Plans Group (PPG) and shall be headed by a Director III who will be accountable to the PPG Cluster Head.

The RMO shall be composed of three (3) sections, namely: (1) Strategic Risks Management Section; (2) Operational and Compliance Risk Management Section; and (3) Program and Field Office Risk Management Section.

For sustainability and budget allocation, the following Plantilla Positions will be proposed to the Department of Budget and Management (DBM):

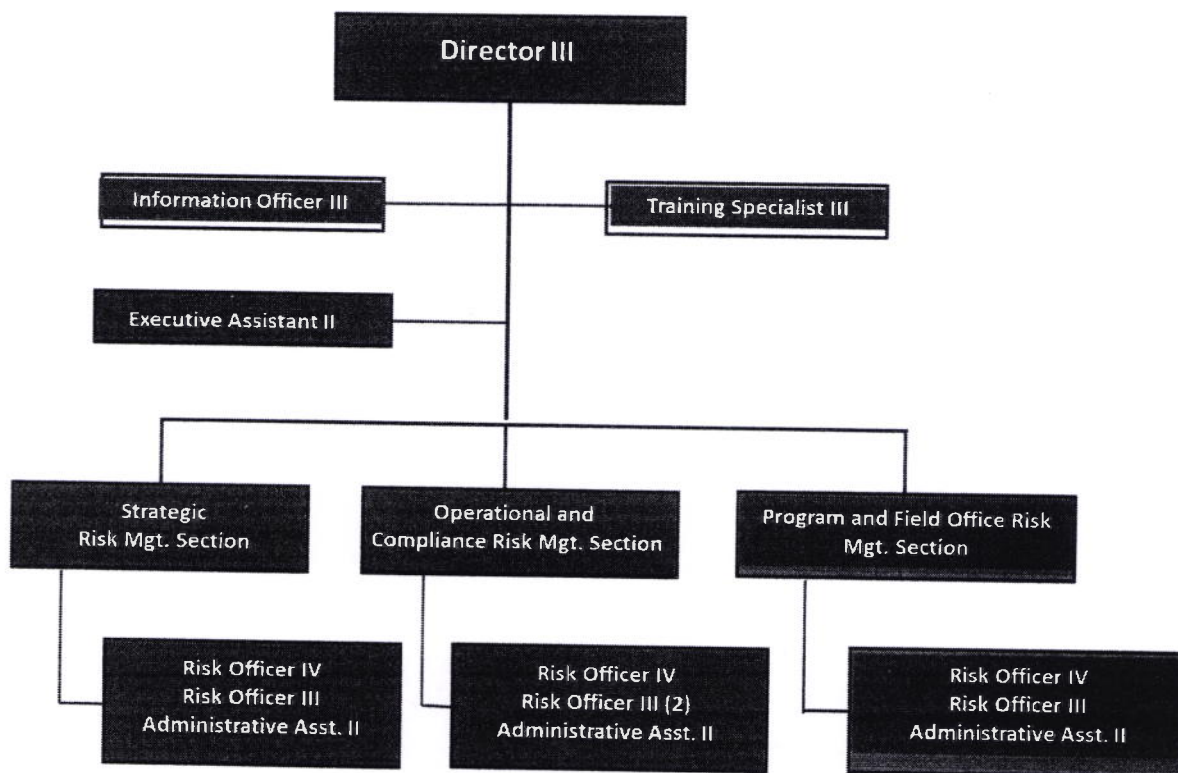
- One (1) Director III
- Three (3) Risk Officer IV (equivalent to a Planning Officer IV)
- Four (4) Risk Officer III (equivalent to Planning Officer III)
- One (1) Information Officer III
- One (1) Training Specialist III
- One (1) Executive Assistant II
- Three (3) Administrative Assistant II

Fig. 1. ORGANIGRAM



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Fig. 2. ORGANIZATIONAL STRUCTURE



VIII. Funding

The funding for the RMO shall be charged against the budget line item for Enterprise Risk Management lodged under the General Administration and Support Services, subject to DBM's approval of the revised DSWD PREXC Budget Structure. Otherwise, the funds shall be charged against the funds of the Policy and Plans Group.

IX. Transitory and Repealing Clause

As part of transition, a separate office for Risk Management shall be established while waiting for the proposed RMO to be approved by DBM. All guidelines inconsistent with the provisions of this Administrative Order are hereby repealed, modified, or amended accordingly. Specifically, this issuance repeals Section VI, Institutional Arrangement of MC 27, series of 2014.

X. Effectivity


This Administrative Order shall immediately take effect upon approval.

Signed this 6th day of August 2021.


ROLANDO JOSELITO D. BAUTISTA
 Secretary

Date: AUG 06 2021

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MYRNA H. REYES
 OIC-Division Chief
 Records and Archives Management Division

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