

**Papua New Guinea – Australia
Transport Sector Support Program (TSSP)**

Supported by the Australian Government - AusAID

RISK MANAGEMENT PLAN (RMP)

TSSP Risk Management Plan

Build Status

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Summary of TSSP Risk Profile

The initial risk process for TSSP was conducted through several workshop/presentation sessions and discussions and initially 71 risks were identified. Although in the early setup stage of the program the information provided has allowed an initial assessment of the overall risk profile to be conducted and a preliminary analysis of the risks identified to be undertaken. Currently the risk profile of TSSP would be considered as **High**, not unusual for a program of this nature and the stage that it is currently at.



Figure 1: TSSP Initial Risk Assessment

Many of the risks identified would be considered at this stage of the program to be more problem related than risks. These problems, having been identified, are currently (or will be) subject to a series of activities to resolve them, through the identification of relevant documentation to be developed or updated, by specific Technical Assistance resources, as they come on board the program as part of the capacity building process.

The 'risks' have been identified here for completeness at this stage as obviously if the problems are not resolved they have the potential to become major risks to the program.

Note: The risks have only been documented in this plan if they are seen to have a direct impact on TSSP. Agency specific risks (or project specific within an Agency) identified during the Agency risk workshops have been identified back to the Agency through the relevant specialist.

Because of the uncertainty that is intrinsic in any endeavour, TSSP is presented with both opportunities and risks in the achievement of its objectives. However, like two sides of a coin, the pursuit of opportunities is always accompanied by the possibility of failure. Risk management is about getting a better grasp on the opportunities, understanding the likelihood and consequence of risks and managing the risks to minimise their impact or at least mitigate their impact on TSSP, should they occur.

Key risks identified in the Governance category, revolve around commitment to the Program and public sector reform and whilst efforts can be undertaken through good communications and staged capacity building to mitigate the likelihood of these risks occurring, the consequences, should they occur remain High. In the Finance category these risks revolve around public expenditure management, with significant efforts already in place with sound Financial management practices and the required documentation in place. The size and length of the Program presents it own risks, but again schedules and plans have been adopted to manage these risks. Risks around the Technical Assistance Facility are currently high, with potential for the recruitment process and the ability to attract the right caliber of skilled people in a timely manner presenting challenges, but again appropriate strategies to cover these have been put in place.

TSSP Risk Management Plan

Specialist's will assume management responsibility of the risks on behalf of the Program Manager and in turn delegate, as required, to Technical Assistance (TA). The TA will be required to assume responsibility and management through their Workplan for existing risks and conduct risk assessments if they are commencing a new area of capacity building.

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THIS DOCUMENT WAS PRODUCED BY MR PETER WHITE, ON BEHALF OF SMEC INTERNATIONAL PTY LTD IN SUPPORTING THE PNG-AUSTRALIA TRANSPORT SECTOR SUPPORT PROGRAM

1.0 Introduction

Australia has been providing long-term support to the Government of Papua New Guinea (GoPNG) for the infrastructure sector through its aid program. Over time the focus of Australian assistance is shifting from an emphasis on maintenance to capacity building and institutional strengthening as part of a holistic approach to supporting maintenance.

The Papua New Guinea – Australia Transport Sector Support Program (TSSP) has been designed to maintain Australia's existing levels of investment in the transport infrastructure sector (roads, maritime and aviation) whilst encouraging GoPNG to take increasing responsibility for infrastructure maintenance funding and thereby becoming less dependent on donor support. Importantly, the Program is operating within GoPNG systems and processes and is assisting to build capacity within them, whilst retaining appropriate checks and balances.

This approach is directed towards improving governance (including transparency and accountability in government procurement), public sector management and technical capacity building, and institutional strengthening, while continuing to provide funding support for priority maintenance and rehabilitation works. TSSP offers a flexible, rolling design and implementation model.

1.1 Program Goal and Objectives

The goal of TSSP is to ensure improved governance and performance in GoPNG's delivery of transport infrastructure services through effective use of resources.

There are a number of separate activities directed at four main objectives:

1. Line agency public sector reform and governance:

To support operational reform in the transport sector agencies through improved public sector administration and reform programs.

2. Strengthen central agency capacity:

To strengthen linkages between the transport sector agencies and central agencies so that service delivery and reform programs are actively supported.

3. Provincial Transport Services:

To support improved performance of provincial, district and local level governments to deliver transport services in selected locations.

4. Prioritised Transport Asset Maintenance:

To support delivery of an affordable, contestable and prioritised national transport network.

1.2 Background

There are always risks associated with a program. The purpose of risk management is to ensure levels of risk and uncertainty are effectively managed, so that the program is completed successfully. It enables the participants involved in the program to identify possible risks and the manner in which these risks can be contained and the likely cost of any mitigation strategies.

Risk Management allows the program to prosper through taking and avoiding risks and good risk management will greatly improve the transparency of how the program operates, providing a roadmap to achieve strategic goals and objectives and reassurance over the management of risks. It is vital to the well being of the program, that the TSSP team take risk management seriously.

Successful management of the program requires informed, proactive, and timely management of risks, through a Risk Management Plan (RMP) and approach to:

- Ensure critical risks impacting scope, schedule, budget, business performance, and/or change management are proactively identified, communicated, mitigated, and escalated in a timely manner.
- Facilitate attention to key risks impacting the program and individual teams.
- Produce meaningful information that allows program management to focus efforts on the “right” (e.g., high likelihood and high consequence) risks with an effective coordination of effort.
- Ensure appropriate stakeholders are informed and, if applicable, participate in the mitigation.
- Record an audit trail of discussions and mitigation of program risks.

The goal of this RMP is to proactively identify and address risks early in the program and throughout its lifecycle in order to avoid surprises.

1.3 Purpose

This document describes how risk management was performed for TSSP. It defines the roles and responsibilities for participants in the risk processes and the risk management activities that were carried out.

This RMP presents the process that was used to implement the proactive risk management required as part of the overall management of TSSP. Risk management is a program management tool to assess and mitigate events that might adversely impact the program and increases the probability/likelihood of program success and this RMP will:

- Serve as a basis for identifying alternatives to achieve cost, schedule, and performance goals;
- Assist in making decisions on budget and funding priorities;
- Provide risk information for milestone decisions; and
- Allow monitoring the health of the program as it proceeds.

1.4 Scope and Context

This RMP identifies the procedures required to manage risk throughout the program. In addition to documenting the approach to risk identification and analysis, the plan covers who is responsible for managing risks, how risks will be tracked throughout the program lifecycle, and how mitigation and contingency plans, if required, will be developed and implemented.

Risk management is an integral part of overall program planning and management and successful program planning and management requires effective identification and assessment of risks and determining what mitigating actions are required. Managing the completion of mitigation actions needs to be integrated with overall program tasks and assignments.

Risk management also works in concert with issue and problem management. The key difference between issue and problem management and risk management is the element of uncertainty inherent in risks. Uncertain events that could impact the program should be identified and managed through this RMP. Note that risks could lead to identification of issues and issues could drive identification or resolution of risks.

In order to be successful, the principles listed below were used to guide the use and implementation of the overall Risk Management Process that is described in detail in Section 2.0 of this document.

- Decisions will not be revisited once made (unless substantively new facts become available).
- Escalation of risks will follow the defined process.
- Responsibility for a risk is assigned to single owner, even if several people work to mitigate it.
- Work and communicate progress on most severe risks first.
- Realistic due dates should be set and then work undertaken to meet the dates.
- Risks should be mitigated at the appropriate level (i.e., program, team, and contractor).
- Responsible Technical Assistance should determine and agree on the risk severity level.
- Planned risk mitigation history and actual mitigation of a risk should be documented. (This documentation serves as a key input to root cause analysis, key learning, metrics, and risk analysis).
- For high impact, unanticipated risks, a 24-hour decision turnaround may be required or as determined by the PM. In such cases, available applicable team members will make the decision.

1.5 Approach

The risk management approach employed followed the requirements established in the TSSP Risk Management Process Guide, which in turn was based upon the Australian Standard for Risk Management (ANZS: 4360:2004). The guide outlines the requirements for a risk management process having the following stages:

- Establish the context (understanding the role, strategy and structure of TSSP and the environment in which it operates and determining the criteria for risk evaluation).
- Identify risks (identifying what can happen and how).
- Analyse risks (determining the likelihood and consequences of the risks being realised – to establish a “risk level”. This includes understanding the existing controls to prevent the risk scenario from occurring).
- Evaluate risks (determining if the risk to TSSP is acceptable).
- Treat risks (if the risks are not acceptable to TSSP then establish the risk treatments to be implemented to achieve an acceptable level of risk).

All of the above is required to occur whilst carrying out the ongoing tasks of “Communication and Consultation” and “Monitoring and Reviewing” in regards to the risks.

This document steps through each of these stages in sequential order in Section 2.0.

1.6 Governance Structure

Due to the nature of the program and its timeframe a 2 phase approach to the governance structure (Figure 2: TSSP Governance Structure) will be adopted which reflects the risk management policy and principles for TSSP.

In phase 1 (indicative timeframe – first 18 months) the governance will be handled within the program management structure, by the Program Manager and if required, Senior Program Management Team (PM, PSMS and FMS). In this period much of the planning and setup of the program will occur and the capacity building will commence. Any issues that need to be brought to the attention of the TSCMIC will be escalated by the Program Manager through the Program Director.

In phase 2 the governance structure will provide formal assurance to the TSCMIC through management, monitoring and reporting to ensure TSSP’s effectiveness and compliance with TSSP’s risk management framework. It also supports TSSP personnel making decisions and managing risks according to TSSP’s objectives, risk tolerance and delegated authorities.

No dedicated risk management function will be applied to the program, so the functional owner of the Risk Management process and plan will be the Program Manager. To ease the workload of the Program Manager the TSSP Specialist and TSSP Technical Assistance will need to actively participate in the identification and management of the risk as described in *Section 1.6.1 - Roles and Responsibilities* below.

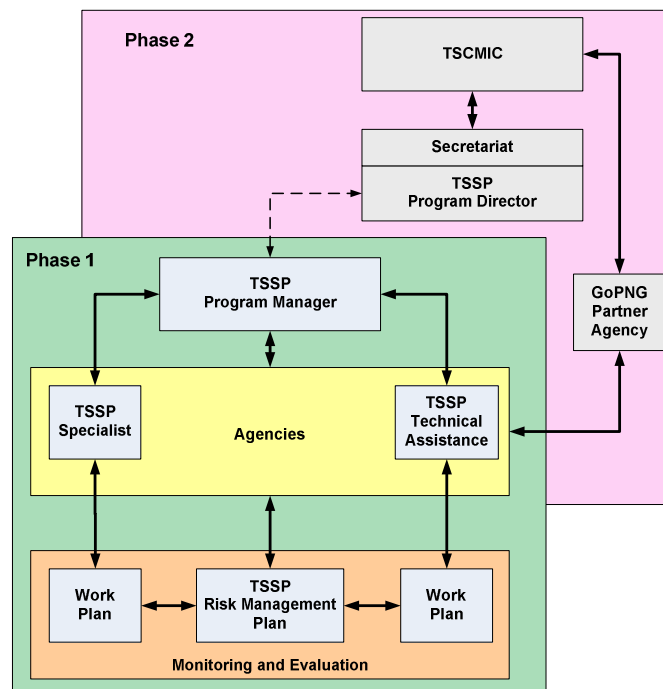


Figure 2: TSSP Governance Structure

1.6.1 Roles and Responsibilities

Overall risk management responsibilities are specified below. Notwithstanding these responsibilities and consistent with the principle of accountability, all TSSP personnel, including Technical Assistance are responsible for identifying and managing risks consistent with TSSP’s risk management framework.

Program Manager

The Program Manager (as the Risk Manager) is responsible for:

- Implementation of the risk management framework
- Development of the risk management culture and capability within TSSP, through:
 - Development and maintenance of the risk management standards and processes required to enable a consistent and effective approach for the management of risks
- Maintaining the Risk Management Plan.

TSSP Specialists and TSSP Technical Assistance

Whilst the Program Manager retains primary responsibility for the management of the risk management plan all TSSP Specialist and Technical Assistance have a responsibility to:

- Identify risks and manage them within their area of work
- Ensure that all personnel associated with their area of work are encouraged to report any areas of risk that are identified.

To this end it is recommended that for TSSP Specialist and Technical Assistance they have an element of risk management included in their Work Plans to the extent that they have responsibility for:

- the monitoring and management of risks that have already been identified and are applicable to their area of specialty and/or technical assistance;
- the identification and assessment of new risks in technical assistance areas that are planned to be filled (e.g. Legal Adviser, Contract Adviser, etc); and
- the updating of the risk management matrix and the risk management plan for their area of expertise.

Subject to the exploration with and the agreement of the TSCMIC over the next 18 months, a phase 2 approach to TSSP Risk Management could see more formal involvement of the TSCMIC in the TSSP Risk Management Strategy.

1.7 Definitions, Acronyms and Abbreviations

See Attachment D.

2.0 TSSP Risk Management Summary

The program goals and objectives, service delivery components, as specified in the contract, monitoring and evaluation criteria and the Terms of Reference for the TSCMIC were all reviewed to identify potential sources of risk (as per Attachment D).

The risks were then categorised into 4 categories that broadly reflect the key deliverable related components of the program:

- Governance;
- Finance;
- Legal; and
- Program.

2.1 Governance

This section covers the main elements that are involved in the program assisting the Agencies through:

- Technical Assistance Facility; and
- Capacity Building.

The number of risks in the area is quite substantial and Governance has an overall rating of **High**. However, many of the risks could well be considered at this stage of the program to be more problem related than risks. In turn these problems, having been identified, are subject to activities to resolve them, through the identification of relevant documentation to be developed or updated, by specific Technical Assistance resources, as part of the capacity building process.

The 'risks' have been identified here for completeness at this stage as obviously if the problems are not resolved they have the potential to become major risks to the program.

2.1.1 Technical Assistance Facility

Requirements for Technical Assistance and associated major 'risks' were identified through a 'desk audit' and consultation process, which included:

- Review of current reports, etc;
- Review of Acts/Regulations and GoPNG policies;
- Review of Agency Corporate Plans; and
- Interviews/discussions with senior agency staff and other advisers.

The provision of technical assistance support is a key function in TSSP assisting the Agencies to build capacity in the key governance areas that have been identified under the initial review and institutional needs assessment process.

The requirements for Technical Assistance are currently under negotiation with the Agencies and an indicative summary of the requirements identified is shown at Attachment C.

Two areas of risk are applicable to the TAF:

- Function related; and
- Personnel related.

This section covers off the function related aspects of the TAF; the personnel related risks are discussed in Section 2.4 - Program.

The risk of expectation by the agencies is probably key in this area and needs to be carefully managed by strategies currently in place.

A Recruitment Strategy was developed and approved by AusAID and a staged recruitment plan is being developed for a staged process over coming months. The relatively lengthy process involved in recruitment of TAs needs to be managed and mitigated through a communication strategy to keep agencies fully informed of the process and progress of recruitment activities.

Key Mitigation Strategies:

- Recruitment Strategy developed
- Review and needs assessment of agencies conducted
- Areas of technical assistance across agencies identified and signed off by agencies and endorsed by TSCMIC
- Recruitment Plan developed and recruitment of TAs instigated
- Communication Plan and Procedures (advising agencies) re TAs under development

2.1.2 Capacity Building

In order to execute this requirement a staged capacity building process (based on AusAID: Staged capacity Building Model) will be implemented following the recruitment and mobilization of technical assistance, as shown in the following figure:

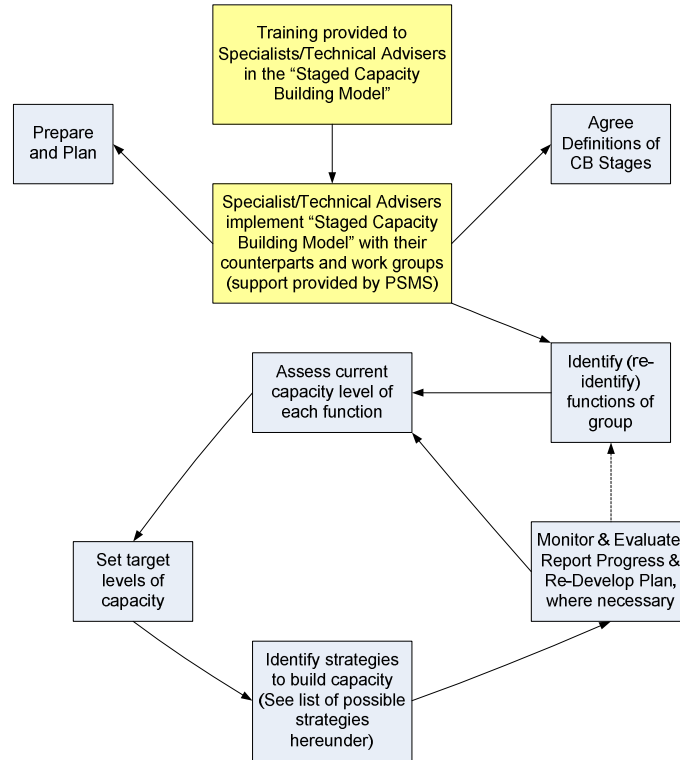


Figure 3: TSSP Capacity Building Process

Many of the ‘risks’ identified, are actually current problems and as expected from the goals and objectives of TSSP should be addressed in the course of delivering the required outputs and outcomes over the life of the program. However that is not to say they do not represent any risk to TSSP, when in fact if the problems are not solved they will cause considerable risk to TSSP’s ability to complete the goal and objectives of the program.

Subsequently they will in the main be referenced in the Risk Management Matrix and managed accordingly by the TAs that are engaged to meet the list of priority areas that have been identified.

There will still be associated risks in relation to capacity building, but the focus of the current phase of the program is to identify the areas of capacity limitations that exist and put activities in place (through the Technical Assistance Facility (TAF)) to address these problems.

Key Mitigation Strategies:

- Technical assistance recruited and mobilized according to plan
- Orientation and Induction Program – under development
- Training/support provided to TAs and implementation of staged CB model
- Improvements in capacity of key agency individuals/groups monitored and evaluated

2.2 Finance

A key area of risk in any Aid program is Finance, but at the same time the mitigation strategies that will be put in place are reasonably well defined and executable.

The Finance category has been split into 2 sub categories, to meet the overall Probity requirements of AusAID:

- Finance – General
- Finance – Anti-Fraud and Anti-Corruption.

2.2.1 Finance – General

As would be expected, at this early stage in the program, the Finance – General risks have an overall **High** rating, but at the same time appropriate mitigation strategies have been identified and are being implemented.

Three key elements will continue to mitigate identified risks:

- Fulltime TSSP Financial Management Specialist has overriding management of all monies in TSSP associated trust funds;
- Incorporation of and adherence to the appropriate financial process and procedures by all TSSP personnel; and
- Identification of the financial management weaknesses within the agencies and the application of capacity building and the improvement of internal financial systems through nominated Technical Assistance.

Two key potential areas of risk have not been addressed at this stage:

- **Challenge Fund Trust Account**
 - The Challenge Fund Trust Account will not be opened until a feasibility review is conducted.
Potential risks should be identified as part of this process.
- **Fungibility**
 - The risks associated with fungibility (TSSP funds displace agency funds) have not been addressed at this stage as appropriate processes and procedures have not been identified to resolve this potential problem at this stage in the program. As financial management capacity builds within the agencies, this potential problem may need to be addressed by support from the TSCMIC for new processes and procedures to be introduced into the financial management model.

Key Mitigation Strategies:

- TSSP Financial Procedures Manual (FPM) - TATA - approved
- TSSP Financial Procedures Manual (FPM) – DoW AMIA – approved
- TSSP Financial Procedures Manual (FPM) – Bougainville AMIA – approved
- TAs required to be identified via Capacity Building process – see Section 2.1 - Governance
- Include risk assessment as part of Work Plan

2.2.2 Finance – Anti-Fraud and Anti-Corruption

As with Finance - General, at this early stage in the program, the Finance – Anti-Fraud and Anti-Corruption risks have an **Extreme-High** rating, but again appropriate mitigation strategies have been identified and are being put in place.

In any development program this is an area of high concern and as such, special requirements need to be implemented to monitor and ensure risks in this area are mitigated. The risks in this area are also documented in the Probity (Anti-Fraud and Anti-Corruption) Strategy and will in the main be managed by that strategy. They are included in this report for completeness from a risk management perspective.

Key Mitigation Strategies: ▪ Probity (Anti-Fraud and Anti-Corruption Strategy - approved)

2.3 Legal

The execution of Phase 1 of the TSSP Capacity Building Framework also identified requirements and associated risks in relation to the myriad of legislation involved in the Sector, with more specifically instances of non or not substantive in some of the agencies.

Again this does represent risks, but the appointment of the TA – Legal Adviser will identify and clarify the issues/problems and allow a more accurate risk assessment to be undertaken.

Key Mitigation Strategies: ▪ Requirement for TA – Legal Adviser identified
 ▪ Include risk assessment as part of Work Plan

2.4 Program

Overall the Program related risks have a rating of **High**. Again given the early stage of the program and the fact that the identification of the key areas in need of capacity building across the agencies has been identified and that up to 31 advisers under the technical assistance facility may be required, it is not unexpected that the possibility of program risks occurring has been identified. However as can be seen under the individual program related elements below, significant activity is in place or currently planned to mitigate these potential risks.

Two key areas in the Program category were initially identified, namely:

- **Program – General**
 - Risks associated with typical program elements themselves (scope, schedule, quality, etc); and
- **Program – Other**
 - Risks associated with key deliverables of the program not previously covered in the sections above

To further identify risks and the initial management of these risks, 2 other areas within the Program – General area were used to address risks associated with what was considered to be areas that warranted specific attention, namely:

- **Program – Communications – Reporting**
 - The phased approach to TSSP through the initial setup of the program and dealing with several Line and Central Agencies, requires particular emphasis on communication and reporting.

- **Program – People**

- The Technical Assistance Facility and its management introduces specific people related risks to the program.

In the Program – Other element, 4 other areas were used to address risks associated with what was considered to be specific deliverables that warranted attention, namely:

- **Program – Monitoring and Evaluation**

- The nature of the program introduces new monitoring and evaluation requirements and although the proposed process is in its early stages of development, some initial risks were identified

- **Program – Social**

- Gender and HIV/AIDS.

- **Program – Roads Maintenance**

- Program to commence early 2008.

- **Program – Security**

- The nature of work in Port Moresby presents special security requirements for the program

2.4.1 Program - General

As with any program there are always risks associated with the program elements in structuring and managing the program itself. TSSP is in its formative stage and as part of the current process areas of support required and the associated skills are being identified. Typically with a program of this nature an initial overall Activity schedule has been developed along with individual work plans for the Specialists that are currently on board. This schedule and relevant Workplans provide the guidance for management and reporting of the next stage of the program and will be supplemented over the next 6 months by new activities and consequent Workplans from the advisers who are recruited as part of the technical assistance facility.

Key Mitigation Strategies:

- Activity schedule agreed and in place
- Reporting structure and process agreed to and in place (Progress, Inception and Annual Reports)
- Annual Workplans in place and reported on

2.4.2 Program – Communications and Reporting

TSSP represents a new concept in providing development to the transport sector in PNG, so consequently a critical area of the Program is not only its Communications Plan, but the consequent reporting of status and achievements to the agencies concerned, GoPNG and AusAID. With both Line and Central Agencies involved and potentially 40 plus specialists and advisers involved in the Program, the Communications Plan from both an internal and external perspective is key and the communication channels used critical to the success of the Program.

Similarly reporting is a key requirement, with a significant amount of time and effort that will be required to ensure the agreed reports are completed on time and in an acceptable manner and again the risks associated with the delivery of the reports are high if the appropriate mitigation strategies, currently being undertaken are not supported across the program.

Key Mitigation Strategies:

- Communications Plan and Procedures - drafted
- Communications Plan underway
- TSSP website under development
- Regular newsletter under development
- Routine and exception reporting agreed and underway

2.4.3 Program - People

Again the nature of the program and the concepts it is introducing provide interesting challenges and potential risks from the people side within the program. The technical assistance facility provides a unique way of providing skilled resources to assist in the capacity building of areas that have been identified by the relevant agencies and the review and needs analysis conducted by the Public Sector Management Specialists.

Key areas of risk that have been identified are the recruitment process itself (risks are covered of in *Section 2.1.1 - Technical Assistance Facility*) and the management of the resources when on board with the program. The influx of potentially 31 TAF resources will pose a number of potential risks in the areas of management, communication and reporting for the program, unless adequately mitigated by an appropriate organisational structure. Currently it is proposed that the organisational management and reporting structure for the TAF resources will be provided by the TSSP Specialist associated with the respective Line Agencies, with the TAF resources in DoT reporting to a Senior Adviser position.

Workplans will be mandatory for all resources associated with TSSP and individual specific activities within those work plans will address reporting, risks and communication related activities.

Potentially the TAF resources, contracted through a tender process, may come from a wide range of companies and/or individuals and there is the risk they may not be fully committed to the TSSP team. Induction process will be in place for new TSSP personnel and performance management of the resources will be conducted by the relevant TSSP Specialist or Senior Adviser.

An ongoing review of TSSP Specialist requirements, in conjunction with the capacity building requirements, will also help determine the short term and long term Specialist structure.

Key Mitigation Strategies:

- TAF resources organisational structure agreed
- Work plans with nominated core activities for all TSSP personnel
- Formal induction process for new TSSP personnel to be instigated
- Performance management process to be instigated

2.4.4 Program – Monitoring and Evaluation

The nature of the program introduces new monitoring and evaluation requirements and the proposed process is in its early stages of development. Initial risks have been identified, but a full risk assessment should be undertaken, when the process has been signed off and potentially the first pass of monitoring and evaluation has been completed.

Key mitigation strategies in this area revolve around the review process that will be undertaken both within TSSP and externally by AusAID to ensure the appropriate monitoring and evaluation strategy is instituted.

In general risks in this area revolve around the quality of Corporate Plans and their performance reporting structures and the availability of baseline data. A monitoring and development framework and associated strategies and process is currently under development to identify these areas of concern and address them accordingly.

One other risk currently being mitigated through discussion and review is the requirement for the M&E Specialists to develop both the framework for the delivery evaluation by the ISP and the program itself. External reviews or a potential group assessment currently being considered will address this risk.

- Key Mitigation Strategies:**
- Monitoring and evaluation framework under development
 - Baseline data review
 - TA placement in relation to Corporate Planning process and linking of Agency KPIs

2.4.5 Program - Social

A key requirement of any AID program in today's environment is ensuring that the social issues of Gender and HIV/AIDS are appropriately addressed during the life of the program. A specialist is scheduled in country and will develop a Gender Policy and Implementation Plan and a HIV/AIDS Policy and Implementation Plan. Risk will be covered in more detail as part of these plans.

- Key Mitigation Strategies:**
- Gender Policy and Implementation Plan – to be developed
 - HIV/AIDS Policy and Implementation Plan – to be developed

2.4.6 Program - Roads Maintenance

Program to commence early 2008, specific risk should be identified by DoW Specialist (or specific TA if in place) as part of work plans.

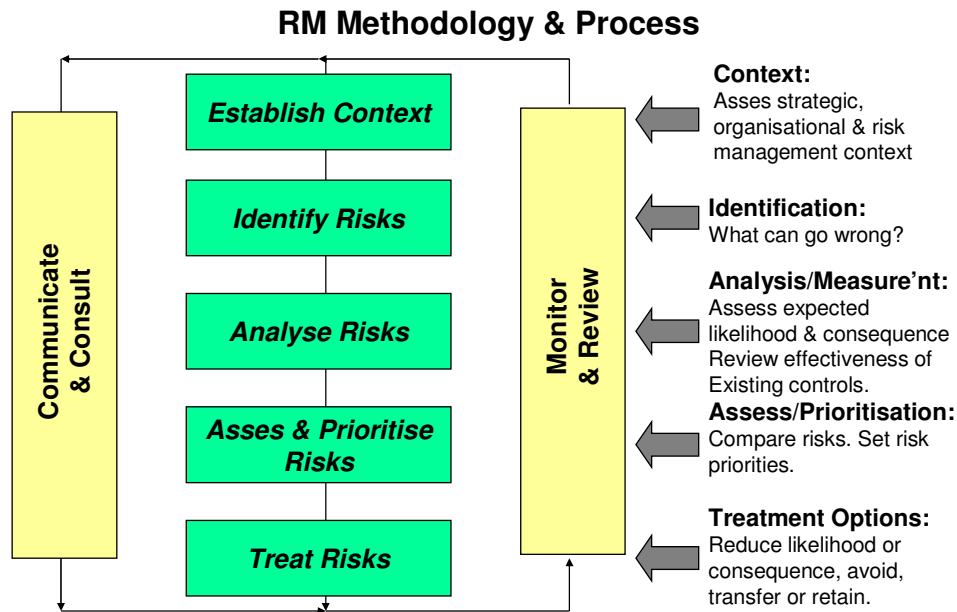
2.4.7 Program - Security

Security in Port Moresby and PNG in general presents risks that need to be identified and mitigated on a regular basis. Due to the extensive nature of the problem a separate Security Plan is required for the program and managed as a separate entity.

- Key Mitigation Strategies:**
- Safety, Security and Emergency Plan in place – reviewed on regular basis
 - Security Services in place
 - Briefings by Security Company to individual TSSP personnel

3.0 Risk Management Process

This section provides an overview of the approach taken by TSSP to risk management, as per the TSSP Risk Management Process Guide. Risk management is defined as the act or practice of controlling risk. It includes risk planning, assessing risk areas, developing risk-handling options, monitoring risks to determine how risks have changed, and documenting the overall risk management program. Figure 4 shows, in general terms, the overall risk management process that TSSP followed.



* Risk Management Standard (AS/NZS 4360:2004)

Peter White, SMEC, October 07

Figure 4: TSSP Risk Management Process

3.1 Establish the Context

Establishing the context for TSSP consisted of the up-front activities necessary to execute a successful risk management program. It is an integral part of normal program planning and management. The planning should address each of the other risk management functions, resulting in an organised and thorough approach to assess, handle, and monitor risks. It should also assign responsibilities for specific risk management actions and establish risk reporting and documentation requirements. This RMP serves as the basis for all detailed risk planning, which must be continuous.

3.1.1 Responsibilities

A Risk Management Specialist conducted the risk planning, using the Process Guide as the basis. Planning covers all aspects of risk management including assessment, handling options, and monitoring of risk mitigation activities. Program management monitors the planning activities of the team to ensure that they are consistent with this RMP and that appropriate revisions to this plan are made when required to reflect significant changes resulting from the team planning efforts.

Each person involved in the design, production, operation, and support of the program is a part of the risk management process. This involvement is continuous and should be considered a part of the normal management process.

3.1.2 Documentation

This RMP established the basic risk documentation and reporting requirements for the program. Team members should identify any additional requirements that might be needed to effectively manage risk at their level.

3.2 Risk Identification

Risk identification was the first step in the assessment process. The basic process involved reviewing TSSP to determine those critical events that would prevent the program from achieving its objectives. All identified risks were initially documented in the Risk Register (see Appendix A),

Risks were identified through the review of program documentation, discussions, meetings and workshops with the team, line agencies and contractors. The program team and external organisations identified concerns earlier than otherwise might be the case and identified those events in critical areas that need to be dealt with to avoid adverse consequences/impacts. Likewise, individuals involved in the detailed and day-to-day technical, cost, and scheduling aspects of the program are most aware of the potential problems (risks) that need to be managed.

3.2.1 Risk Management Matrix

The key output of the risk identification phase was the risk management matrix. The initial risk management matrix comprised of a list of raw risk. The matrix at Attachment A is the result of activities that have been conducted under the following sections as well.

3.3 Risk Analysis

Risk analysis was undertaken using similar methods as used for risk identification and like risk identification is a continuous process.

The identified program risks were analysed (using qualitative assessments) to determine the:

- Estimated likelihood that the risk will occur;
- Estimated consequence if the risk did occur; and
- The most appropriate risk owner.

3.3.1 Updated Risk Management Matrix

The risk management matrix was updated with the Likelihood and Consequence information and the risk rating calculated as per Attachment A.

3.4 Risk Assessment

An analysis of the risks associated with TSSP was made and a decision formed on what risks need treatment and what are their associated priorities. The first action sorted the analysed risks by classifying them as one of:

- Accepted Risks, risks that are currently acceptable and do not require treatment, but will be kept under review.
- Rejected Risks, risks that are considered non-existent after analysis or of no significance.
- Significant Risks to be treated, these may need prioritisation.

3.5 Risk Treatments

The identification and assessment of measures to modify the identified risks was performed, treatments for the risks identified and Risk Owners were assigned.

Treatments were aimed to either reduce the risk's likelihood or consequence or both. Preparation of treatments requires inputs from stakeholders and coordination with the Program Manager. Normally if there is an unacceptable risk of a treatment failing (or not being found) or when a risk may reach an unacceptable level then a contingency plan must be developed.

3.6 Risk Monitoring and Reporting

The program manager will be responsible for monitoring and managing all aspects of the risk management process. Risks need to be monitored throughout the program lifecycle as their likelihood or impact ratings may change and new risks emerge.

As noted in *Section 1.6.1 - Roles and Responsibilities*, individual risks will be managed by the relevant Specialist or TA that is assigned responsibility for the risk and the results of any actions noted in the Risk Management Matrix and the PM advised of any exceptions.

Risk status should be reported on an exception basis at the program status meetings, with a full risk review conducted on a monthly basis.

ATTACHMENT A

RISK MANAGEMENT MATRIX

ATTACHMENT B

LIKELIHOOD & CONSEQUENCE

TSSP Risk Management Plan

Example of Likelihood Assessment Scale

| Descriptor | Qualitative Statement | Probability that the event will Occur |
|-------------------|---------------------------------------------|----------------------------------------------|
| Rare | May occur only in exceptional circumstances | < 10% |
| Unlikely | Is unlikely to occur | 10% - 30% |
| Possible | May Occur | 31% - 70% |
| Likely | Will probably occur | 71% - 90% |
| Almost Certain | Can be expected to occur | >90% |

Example of Consequence Assessment Scale

| Descriptor | Financial Impact | Image/ Reputation | Environment | Possible Delay to the Schedule | Community/Stakeholder Response to the Impact of the Event | Health & Safety |
|-------------------|-------------------------|-----------------------------------|---------------------------------------------|---------------------------------------|------------------------------------------------------------------|----------------------------|
| Insignificant | <RM5,000 | Brief Local Media coverage | Short term damage | < 2 days | Minor complaint | No injuries |
| Minor | RM5,000 – RM20,000 | Local Media coverage | Limited but medium term negative effects | 2 – 5 days | Formal correspondence written by stakeholder | First aid required |
| Moderate | RM20,000 – RM80,000 | Regional Media coverage | Major but recoverable ecological damage | 5 – 7 days | Local political intervention | Medical treatment |
| Major | RM80,000 – RM200,000 | Sustained Regional Media coverage | Heavy ecological damage, costly restoration | 7 – 10 days | Ministerial involvement | Extensive Injuries |
| Severe | >RM200,000 | National Media coverage | Permanent widespread ecological damage | > 10 days | Political intervention | Fatality |

ATTACHMENT C

SUMMARY OF PROPOSED INITIAL TA PROGRAM

SUMMARY OF PROPOSED INITIAL TA PROGRAM

Summary by Department

| AGENCY | POSITION |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CAA (5 positions + 2 already approved by AusAID) | 1 X HR/Organisation Change Adviser 1 X Financial Management Adviser 1 X Information Technology & Communications Adviser 1 X Aviation Audit & Safety Systems Adviser 1 X Project Manager Certification) "in-line" position (Regulator) Positions already approved by AusAID 1 X General Manager, Projects 2007 1 X Project Manager (Certification and Maintenance) – Airports Group |
| DoT (7 positions) | 1 X Policy Development Adviser 1 X Provincial Policy & Planning Adviser (Roving position) 1 X Financial Management Adviser 1 X HR Adviser 1 X Information Technology & Communications Adviser 1 X Strategic Management Adviser 1 X Legal Adviser |
| DoW (9 positions & 1 contractor) | 1 X Contracts Administration Adviser 1 X Design Engineer Adviser 2 X Road Construction Engineer Advisers (Roving) 1 X Financial Management Adviser 1 X HR Adviser 1 X Information Technology & Communications Adviser 1 X Roads Asset maintenance System Adviser 1 X Policy & Planning Adviser 1 X Internal Audit Contractor (co-sourcing arrangement) |
| NMSA (1 position) | 1 X Maritime Safety Adviser |
| Ports (4 positions) | 1 X Lae Port Operations Advsier (Already under consideration by AusAID) 1 X Port Engineer Adviser 1 X Financial Management Adviser 1 X HR Adviser |
| NP&M (1 position) | 1 X Policy & Planning Adviser |
| Bougainville Coastal Trunk Road Project Management | 1 X Project Management Unit |
| Total No of positions etc | 31 |

TSSP Risk Management Plan

Summary by Position

| Type of Adviser/Contract Position | No of Positions | Agencies |
|-----------------------------------------------------------------------|-----------------|------------------------------------------------------|
| Financial Management Adviser | 4 | 1 at DoT 1 at DoW 1 at CAA 1 at Ports |
| HR Adviser | 3 | 1 at DoT 1 at DoW 1 at Ports |
| HR/Organisation Change Adviser | 1 | 1 at CAA |
| Information Technology & Communications Adviser | 3 | 1 at DoT 1 at DoW 1 at CAA |
| Strategic Management Adviser | 1 | 1 at DoT |
| Policy Development Adviser | 1 | 1 at DoT |
| Provincial Policy & Planning Adviser | 1 | 1 at DoT |
| Legal Adviser | 1 | 1 at DoT for whole of sector review of Legislation |
| Lae Port Operation Adviser | 1 | 1 at Ports (White Paper Funding) |
| Port Engineer Adviser | 1 | 1 at Ports |
| Maritime Safety Adviser | 1 | 1 at NMSA |
| Contracts Administration Adviser | 1 | 1 at DoW |
| Design Engineer Adviser | 1 | 1 at DoW |
| Road Construction Engineer Advisers (Roving) | 2 | 2 at DoW |
| Roads Asset Maintenance System Adviser | 1 | 1 at DoW |
| Policy & Planning Adviser | 2 | 1 at DoW 1 at NP&M |
| Aviation Audit & Safety Systems Adviser | 1 | 1 at CAA |
| Sub-Total - Advisers | 26 | |
| Internal Audit Contractor | 1 | 1 at DoW |
| Bougainville Coastal Trunk Roads Contractor | 1 | ABG |
| Sub-Total-Contractors | 2 | |
| General Manager-Projects | 1 | 1 at CAA –White Paper funding |
| Project Manager (Certification & Maintenance) – Airports Directorate. | 1 | 1 at CAA – Airports Directorate –White Paper funding |
| Project Manager, Airport Certification (ASRD) “in-line” position | 1 | 1 at CAA – AS Regulation Directorate |
| Sub-Total-“in-line” Positions | 3 | |
| Total No of Advisers etc | 31 | |

ATTACHMENT D

DEFINITIONS

TSSP Risk Management Plan

ATTACHMENT D

| | |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assumptions List | A record of the assumptions embedded in the program plan. Assumptions that are not validated are potential risks. |
| Business Case | The document that justifies the need for the system to be delivered by a program/project, what the business changes will be and the resources required to deliver, operate and dispose of the system. It provides the basis for program/project funding and may undergo approved revisions during the program/project |
| Consequence | <i>See Impact</i> |
| Impact | The outcome of an event expressed in qualitative or quantitative terms (for example, financial or reputational) being a loss, injury, disadvantage or gain – <i>see also Consequence</i> |
| Inherent Risk | A raw risk that is a risk that has no mitigation factors or treatments applied to it. |
| Likelihood | <i>See Probability</i> |
| Monitoring and Accountability | The processes used to manage Risk Management on an on-going basis to reduce risk and take advantage of risk as an opportunity. |
| Opportunity | The possibility of realising a favorable outcome and the impact this outcome has on the involved party. Opportunity is positive risk and can be identified and managed in a similar way. |
| Probability | A qualitative description of the likelihood and/or frequency of a risk occurring – <i>see also Likelihood</i> |
| Residual risk | The degree of risk left after mitigation factors have been identified. |
| Risk | <p>Risk is anything that may happen that impacts the achievement of an organization's objectives. Risk encompasses the following three dimensions:</p> <ul style="list-style-type: none"> • Hazard - preventing an exposure from turning into a loss • Uncertainty - coping with volatility and change; and • Opportunity - harnessing opportunities to one's advantage. <p>Risk is an event having a cause and a impact that could be either positive or negative.</p> |
| Risk Acceptance | The informed decision to accept the impact and the likelihood of a particular risk. |

TSSP Risk Management Plan

| | |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk Analysis | A systematic use of available information to determine how often specified events may occur and the magnitude of their impacts. |
| Risk Appetite | Risk appetite is the amount of risk, on a broad level, an entity is willing to accept in pursuit of objectives. It reflects that organization's risk management philosophy and, in turn, influences the organization's culture and operating style. |
| Risk Avoidance | An informed decision not to become involved in a risk situation. |
| Risk Event | The occurrence of an event which has the potential to affect the viability of a project. |
| Risk Management Process Guide | A formalised process for managing risk on an explicit basis. The guide consists of a risk assessment, response and accountability for the risk and mitigation activities around it. |
| Risk Manager | The role responsible for operating the project's risk management process and the custodian of the Risk Management Plan and Risk Register |
| Risk Mitigation | The processes built into the controls environment, such as policies, frameworks, accountabilities etc to lower the residual risk. |
| Risk Owner | A designated position in an organisation assigned the responsibility for managing a specific risk |
| Risk Reduction | A selective application of appropriate techniques and management principles to reduce either the likelihood of an occurrence or its impacts, or both. |
| Risk Register | A record, under formal change control, of all identified risks, their assessment, treatments and outcomes |
| Risk Retention | Intentionally or unintentionally retaining the responsibility for loss or financial burden or loss within the organization. |
| Risk Response | The decision to accept, decline, treat or mitigate a risk or share a risk with another party. |
| Risk Sharing | Sharing the responsibility for the impact of a risk with another party such as through an outsourcing contract or insurance policy. |
| Strategic Risk | Any risk event which has serious or catastrophic consequence even though the likelihood of occurrence may be quite low |
| Uncertainty | The gap between the information required to estimate an outcome and the information already possessed by the decision maker |