



## Terms of Reference

### 1) Basic Information

<b>Activity Title:</b>	Introduction of a Risk Assessment and Risk Management Approach as part of the Internal Control System in the Government of Jamaica
<b>Organisation:</b>	Ministry of Finance & Planning (MoFP)
<b>Participating MDAs:</b>	Ministry of Finance & Planning, with particular emphasis on the Accountant General's Department, plus two additional pilot MDAs (to be selected)
<b>Proposed Duration:</b>	Twelve months

### 2) Objectives, Scope & Outputs

<b>Background &amp; Rationale</b>	<p>Jamaica has experienced low growth, high public debt, and serious social challenges for three decades. Over this period, real per capita GDP increased at an average of just 1 per cent per annum, making Jamaica one of the slowest growing developing countries.</p> <p>Jamaica was hit hard by the global economic crisis. An IMF programme under the Stand-By Arrangement lapsed in 2010 after completing only three of the 12 scheduled reviews. Following further economic decline, Jamaica's debt reached close to 150% of GDP by March 2013 and its debt service ratio has averaged between 85%-90% of revenue in recent years, though this is now declining.</p> <p>Following a second restructure of sovereign debt in three years and some fiscal tightening, the Government entered into a new programme with the IMF under the Extended Finance Facility in May 2013, securing commitments of about \$2billion in financing from the IMF, World Bank and Inter-American Development Bank (IDB).</p> <p>Under the new programme the GoJ is undertaking a comprehensive economic reform agenda to boost growth and employment. This growth agenda is underpinned by fiscal and monetary policy reforms aimed at creating a stable, predictable and resilient macroeconomic environment, and structural reforms to significantly strengthen Jamaica's external competitiveness and productivity. To</p>
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date, Jamaica has passed all nine quarterly IMF reviews.

The Government has adopted a Fiscal Responsibility Framework (FRF). The FRF includes important features of an effective fiscal framework and aims to strengthen control over expenditures (including lending) by the Ministry of Finance & Planning, as well as to increase budget transparency. Legal frameworks have been amended with a view to introduce the FRF, to promote fiscal responsibility by stipulating greater transparency, more stringent rules about borrowing authorization for public bodies, and setting deficit and debt targets to be achieved by 2016.

### ***Public Financial Management (PFM)***

Weaknesses in Jamaica's PFM framework have contributed to undermining fiscal stability and the efficiency and effectiveness of government spending. Fiscal management is currently guided by a set of rules and processes that does not support a strategic approach necessary to meeting Jamaica's development challenges. Budget planning is fragmented, especially for capital expenditures, and the public investment planning process is not comprehensive. The weak link between government priorities, planning, and budget, the lack of in-year expenditure controls, and the lack of accurate financial statements contribute to inefficient monitoring of public spending.

The 2012 Public Expenditure Financial Accountability (PEFA) review found system weaknesses in budget formulation and execution, cash, debt and payroll management, tax administration, procurement processes and basic accounting and reporting procedures posing a risk to the implementation of budgets as approved by the Parliament.

The government of Jamaica is committed to addressing these weaknesses. Some progress has already been made including the recent development of an improved budget calendar which will provide greater fiscal discipline and control in the budget preparation process. The GoJ has developed unified procedures that capture projects and priorities across the Ministries, Departments and Agencies to give the GoJ the ability to evaluate results and determine the impact of the public sector investment program, as well as monitor outputs on a periodic basis.

The GoJ has recently developed the PFM Reform Action Plan II (PFM RAP II) to continue to guide the implementation of a PFM-centered reform program. The action plan puts a focus on the sequencing of reforms and a more realistic implementation schedule to ensure the sustainability of the reforms. It also aims to act as a co-ordination tool for the international development partners providing technical assistance to Jamaica for PFM reform. Currently these include the IMF, the World Bank, the IDB, the UK Department for International Development (DFID), the European Union, and USAID.

Institutional arrangements to facilitate the implementation of the PFM RAP II

include a PFM Steering Committee (SC) chaired by the Financial Secretary, and a PFM Secretariat to support the SC and facilitate monitoring. Sub-Committees are in place to oversee the implementation of five programmatic areas.

The objectives of the PFM RAP II are as follows, and cover the period to at least 31<sup>st</sup> March 2017:

- i. To improve all PEFA Indicators by at least one score by end 2016
- ii. To transform the MoFP into a more modern and responsive ministry towards managing fiscal outcomes
- iii. To build co-operation between all PFM stakeholders and practitioners in Jamaica, building a whole-of-government alliance
- iv. To enhance skills and further professionalise the PFM workforce within GOJ

The longer term outcomes of the PFM RAP II look to achieve macroeconomic stability in public finances, higher levels of financial compliance, and greater improvements in the efficiency, accountability and transparency in the use of public funds in Jamaica, ultimately leading to better service delivery for all its citizens. In this, and in line with the ministry's vision of being "*a Centre of Excellence that enables sustainable growth and development through sound policy, planning, and quality service delivery*"<sup>1</sup>, the MoFP sees one of its key roles as being a facilitator to unlock and support opportunities for better investment in the country's infrastructure and human capital development. The MoFP can act as driver in forging stronger partnerships between all government ministries and all sectors of economic and social activity in Jamaica.

The PFM RAP II will improve the overall governance of the reform program, and further clarify, simplify, improve and harmonize the core financial management processes and information systems of the public sector. It aims to re-engineer and integrate the relevant systems in the MoFP and implementing agencies through the development of programmatic themes which better gather and coordinate the functional areas where reform is centred.

### **Objectives**

The objectives of this Action Plan are:

- i. To improve all PEFA Indicators by at least one score by end 2016
- ii. To transform the MoFP into a more modern and responsive ministry through managing fiscal outcomes
- iii. To build co-operation between all PFM stakeholders and practitioners in Jamaica, building a whole-of-government alliance

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<sup>1</sup> MoFP Strategic Business Plan 2014/15-2016/17, Government of Jamaica 2014

	<p>iv. To enhance skills and further professionalise the PFM workforce within GOJ</p> <p>The GoJ, with the MoFP as lead ministry, seeks to strengthen its internal control systems (ICS) to safeguard government resources and ensure effective, efficient and economical operations, and specifically introduce more formal arrangements in its approach to Risk Assessment and Risk Management.</p> <p><i>Risk Management in GoJ</i></p> <p>A policy on risk management and a centralised strategic approach will bring an integrated, coordinated and coherent approach to risk in the GoJ and help minimise potential losses in terms of the GoJ’s objectives and programs. It will allow management at all levels to be fully aware of the scale and range of risks facing their organisation, and so have a formulated response to the financial or operational impact if risks are confirmed. It will remove inconsistencies in both understanding of, and responses to risk throughout the GoJ, and enable management to consider the best allocation of resources through risk management. Formally raising the issue of risk management in GoJ will also help MDAs learn about their own dynamics and vulnerability in a more inclusive and consultative manner, and demand that staff give greater consideration to consequences of specific actions. This should also help to establish better prioritization of scarce resources, through the adoption of a Risk Based Budgeting approach, and encourage a “joined up” government approach to the strategic focus of the GoJ.</p> <p>In recent times, all Corporate Plans submitted by MDAs to the MoFP as part of their budget submissions have required a Risk Matrix. However, it is not clear how the risks have been identified and/or if the risks identified are effectively managed. The MoFP has established a Risk Management Working Group, and some of its members have undertaken a training program and become certified in ISO 31000 – Risk Management (refer <a href="http://www.iso.org/iso/home/standards/iso31000.htm">http://www.iso.org/iso/home/standards/iso31000.htm</a>).</p> <p>In a wider GoJ context, the need for risk management appears to be reasonably understood by senior management, but to date there has not been the recognition of the need for a formalised central government-wide risk management strategy or risk management approach. Indications are that there remains a belief that by considering the legal and regulatory risks then the conditions and intentions of the internal control system are met. Less consideration is given to the management of business risks, i.e., those risks which represent threats to the ability and capacity of MDAs to deliver on their core service delivery mandates, particularly from current and foreseeable fiscal constraints or generally security risks. So as build on the momentum gained from earlier work, a technical assistance project is proposed to further institutionalize the progress made.</p>
<b>Objectives</b>	The overall objective of the activity is to continue to <b>strengthen the organizational</b>

	<p><b>capability in Internal Control</b> to support the GOJ (and MoFP) in achieving its goals and objectives.</p> <p>The specific objective in relation to <b>risk assessment and risk management</b> is to ensure the strategies, practices and skills necessary to apply risk assessment and risk management are institutionalised and embedded within the management structures of GOJ and its MDAs, with emphasis that such functions are responsibilities at all levels, and an integral part of organizational processes.</p> <p>The above objectives are consistent with the PFM RAP II, and fall under the Business Processes Program.</p>
<p><b>Scope of Work</b></p>	<p>At a minimum, the following outputs will be achieved:</p> <ul style="list-style-type: none"> <li>• Preparation and publication of a Risk Management Policy and accompanying Risk Management Strategy for government MDAs in Jamaica.</li> <li>• Establishing a dedicated Risk Management Unit within the Accountant General’s Department specific to its own needs, and the Ministry of Finance &amp; Planning, as well as two other MDAs (to be identified).</li> <li>• Support to the MoFP and selected MDAs in developing and applying the strategy to the planning process and internal control system in the MDA. This will include methodologies with accompanying templates for <ul style="list-style-type: none"> <li>○ Risk identification,</li> <li>○ Risk evaluation and prioritisation,</li> <li>○ Assessment of risk tolerance on the MDA, and</li> <li>○ Development of appropriate responses</li> </ul> </li> <li>• Training and mentoring in the use of the methodologies and templates will be an integral part of the assignment.</li> <li>• For the selected pilot MDAs, the Annual Corporate Plan submitted to the MoFP will include their Risk Matrix, with accompanying risk management strategies.</li> <li>• Training to internal audit staff in all MDAs, and to the Auditor General’s Department, will be given in ERM Risk Management principles and practices.</li> <li>• Particular attention will be applied to the introduction of the ERM Risk Management policy and strategy into the Accountant General’s Department (AGD) of the MoFP. This will be carried out in conjunction with a program of training in Forensic Accounting/Auditing to selected staff of the AGD (and the Auditor General’s Department, if requested).</li> </ul>

	<ul style="list-style-type: none"> <li>Developing and performing a Risk Assessment for all aspects of the Accountant General’s Department, to include organisational, operational, technical, business processes, HR, financial, reputational, environmental, etc.<sup>2</sup></li> </ul>
<b>Major Outputs/ Components</b>	<ul style="list-style-type: none"> <li>By the conclusion of the activity, participants from the MDA executive management, and the departments/units/offices will: <ul style="list-style-type: none"> <li>Understand the concept, principles and practices of risk management, and the meaning of risk; and this has been explained and established as a principle within the GOJ;</li> <li>Implement the tools and techniques for formulating a risk management strategy (including how to use the templates) and carrying out risk assessment, disaster recovery procedures, fraud prevention and detection, and other risk treatment mechanisms.</li> </ul> </li> <li>Comprehensive Risk Registry for the Accountant General’s Department/ Treasury</li> <li>Strategic Plan for the establishment and maintenance of a dedicated Risk Management Unit within the MoFP.</li> </ul>

<b>3) Management Arrangements, Risks, Monitoring &amp; Reporting</b>	
<b>Management Arrangements</b>	<p>Through Technical Assistance from a development partner, the GoJ will engage a qualified consultant to work closely with the MoFP, and two selected pilot MDAs, for a period of twelve months to implement the assignment. For sustainability, the MoFP will engage and assign a full-time employee as a direct counterpart and adviser to work alongside the consultant for the duration. Further, the MoFP and selected MDAs will assign additional part-time staff who will be the focal points for risk management in their respective MDAs and departments/units. Over the longer term, the full-time local employee and part-time staff will form the nucleus of a proposed Risk Management Unit within the GoJ and its MDAs.</p> <p>The experts will work under the supervision of the Business Processes Sub-Committee for the program, who will manage progress and outputs/outcomes.</p> <p>The Business Processes Sub-Committee reports to the PFM Oversight Committee.</p>
<b>Potential Risks</b>	For the successful implementation of this activity, it is assumed the following critical

<sup>2</sup> The Accountant General’s Department, a division of the MoFP, is undergoing a series of intensive reforms to bring it up to standards required of a modern office, supported by technical assistance from the IMF. The consultants will coordinate closely with this effort.

<p><b>and Mitigation</b></p>	<p>success factors are in place in MoFP and GoJ:</p> <ul style="list-style-type: none"> <li>• There is clear commitment to the objectives, with ownership and leadership of their implementation at all levels.</li> <li>• There is clear commitment to change management at all levels to implement modern management processes.</li> <li>• There is clear willingness and capacity on the part of the immediate Sub-Committee and the PFM Oversight Committee to manage the process effectively.</li> <li>• Project and logistical management of implementation activities is available.</li> </ul> <p>Risks associated with the successful completion of this Project are reflected in the failure of the above assumptions to apply, and the following:</p> <ul style="list-style-type: none"> <li>• Inadequate qualified resources and support to the implementation of the activity will restrict the capacity to implement a risk management strategy within the MoFP, and the broader GoJ and its MDAs.</li> </ul>
<p><b>Monitoring &amp; Reporting</b></p>	<p>The consultant will follow the following reporting procedure:</p> <ul style="list-style-type: none"> <li>• Prepare an Inception Report with a comprehensive tentative workplan within the first 15 working days. This will detail the approach to be followed and the training and mentoring activities to be implemented, with tentative dates for all training activities and seminars, together with the intended training audience. This will allow proper planning and sufficient notice to proposed audiences to arrange schedules, and approvals for budget allocations, in good time. Draft templates to be proposed for use by the GoJ will be included in the IR. This report will be submitted to the Project Steering Group (to be established) for approval.</li> <li>• A quarterly report (no more than ten pages) outlining the activities carried out for the period, and proposed activities for the forthcoming quarter.</li> <li>• A final report on completion of the assignment which will summarise the work done and the results achieved, and proposals for next steps to be implemented by the GoJ.</li> <li>• Additional informal reports may be requested by stakeholders from time to time, and attendance at meetings of the PFM Oversight Committee or its various sub-committees may be required.</li> </ul> <p>Monitoring and reporting will be carried out by the PFM Secretariat in close consultation with stakeholders. A detailed activity M&amp;E system will be established early in the activity which will be consistent and supportive of the overall PFM RAP M&amp;E structures.</p>

#### 4) Consultants Profile & Qualifications

<b>Profile</b>	The Consultant will comprise an individual or firm with recognized experience in risk management, particularly as it relates to, though not limited to, financial management and internal control activities, to carry out the assignment. The Consultant should be capable of providing the Scope of Work as outlined, sufficient to meeting the outputs required within proposed timeframes.
<b>Qualifications</b>	The proposed expert must have the following skills and experience: <ul style="list-style-type: none"><li>• Education up to at least a Bachelor’s Degree in a subject relevant to the topic (e.g. finance and accounting, engineering, public administration, etc.)</li><li>• Preference will be given to a consultant with considerable experience in a field related to financial management and control, with specific reference to risk assessment and risk management.</li><li>• A proven track record in the field with at least 10 years’ international experience in similar assignments.</li><li>• Demonstrated management capability to support the design and operation of risk assessment and management systems in the public sector, including working cooperatively for and with different stakeholders and groups.</li><li>• A proven ability and demonstrated experience in the training and mentoring of management and staff in risk management techniques and concepts.</li><li>• Demonstrated strong analytical, oral and written communication skills and commitment to meeting tight deadlines.</li><li>• Fluency in writing and speaking English.</li><li>• Previous working experience within the Jamaican public sector will be considered a strong asset.</li></ul>

#### 5) Endorsement

I hereby endorse this activity proposal for assistance under the Jamaica PFM Reform Action Plan.

Signed.....

Date.....

Chair, PFM Oversight Committee