



REF: DG/OPS/NTCE/2023/02

17<sup>TH</sup> APRIL, 2023

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**NOTICE NUMBER: IAA/01/02/2023**

**CAPACITY-BUILDING FOR THE ESTABLISHMENT OF AN EFFECTIVE ENTERPRISE RISK MANAGEMENT IN COVERED ENTITIES UPON REQUEST.**

The Internal Audit Agency is mandated under Section 3(2) (f) of the Internal Audit Agency Act, 2003 (Act 658) *to ensure that risks are adequately managed in the MDAs and MMDAs.*

2. Reference is also made to Section 7(2) of the Public Financial Management (PFM) Act, 2016 (Act 921) and Regulation 5 (1), (2) of the Internal Audit Regulations (IAR), 2011 (L.I.1994) on the responsibility of ***the Principal Spending Officer of a Covered Entity to establish an effective risk management in respect of resources and transactions of the Covered Entity and the Head of a Ministry or an Assembly to undertake a continuous risk identification and management and submit to the Agency quarterly reports on the Ministry's or Assembly's risk management activities,*** respectively.

3. Section 90(c) of the Public Financial Management (PFM) Act, 2016 (Act 921) requires ***the governing body of a public corporation or state-owned enterprise to establish and maintain;***

*(a) policies,*

*(b) procedures,*

***(c) risk management and internal control systems, and***

*(d) governance and management practices,*

*to ensure that public corporation or state-owned enterprise manages its resources prudently and operates efficiently in accordance with the objectives for which the public corporation or state-owned enterprise was established.*

4. As part of its mandate and to ensure compliance of Covered Entities with the above PFM Act requirements, the Agency has commenced processes to collaborate with Covered Entities to provide capacity-building for Heads and Management staff of Covered Entities, Heads of Internal Audit Units (IAUs) and Audit Committees for the

establishment of effective Enterprise Risk Management (ERM) in Covered Entities upon request.

5. The Agency, therefore, encourages all Heads and Principal Spending Officers of Covered Entities to leverage the collaboration to enable the Agency support them to establish an effective ERM in the administration of their programmes and operations.

6. Under the collaboration, the Agency shall provide capacity-building training and on-site support and pursue a post-training implementation action plan with a Covered Entity to monitor and ensure the effective application of knowledge and skills gained during the capacity-building for an effective ERM.

7. Heads of Covered Entities are hereby required to arrange for a venue, conference package as well as other required logistics and request resource persons from the Agency to provide the capacity-building on ERM at agreed time schedules.

8. Heads of Covered Entities, Principal Spending Officers and Governing Bodies of public corporations or state-owned enterprises are reminded that failure to establish an effective risk management is in contravention of Sections 7(2) and 90(c) of the PFM Act and attract sanctions under Sections 96-98 of the PFM Act, 2016 (Act 921).

9. Section 98 of the PFM Act states

**(1) A person who**

*(a) refuses or fails to produce or submit any information required under this Act, .....*

*(d) contravenes or knowingly permits another person to contravene a provision of this Act or the Regulations, or*

*(e) instigates another person to contravene a provision of this Act or the Regulations, commits an offence and where no penalty is provided for the offence, is liable on summary conviction to a fine of not less than one hundred and fifty penalty units and not more than two hundred and fifty penalty units or to a term of imprisonment of not less than six months and not more than two years or to both.*

**(2) A person who contravenes subsection (1) is, in addition to the penalty specified in that subsection**

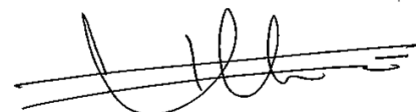
*(a) liable for any liability contracted on behalf of the Government as a result of the contravention; and*

*(b) subject to disciplinary action by the Government including dismissal, demotion or suspension.*

10. Heads of Covered Entities, Principal Spending Officers and Governing Bodies of public corporations or state-owned enterprises are advised to take note and comply with this directive.

11. Audit Committees and Heads of IAUs are required to work with and support Heads of Covered Entities for compliance.

12. Whilst in anticipation of your compliance, please accept the continued assurances of our highest consideration.



**E.O. OSAE (PhD, FCA)  
DIRECTOR-GENERAL**

## **DISTRIBUTION**

- 1. ALL HEADS OF COVERED ENTITIES**
- 2. ALL HEADS OF INTERNAL AUDIT UNITS**
- 3. ALL CHAIRPERSONS OF AUDIT COMMITTEES**

### **Cc:**

1. The Chief of Staff, Office of the President, Accra
2. The Minister for Finance
3. Chairman, Public Services Commission (PSC)
4. Director-General, State Interests and Governance Authority (SIGA)
5. Head, Office of the Head of Civil Service (OHCS)
6. Head, Office of the Head of Local Government Service (OHLGS)
7. Chief Director, Ministry of Finance (MoF)