



## PHILIPPINE INTERNATIONAL TRADING CORPORATION

### RISK MANAGEMENT SYSTEM

The Philippine International Trading Corporation (PITC) has an established risk assessment process to identify the principal risks it faces as an international trading entity. The table below depicts the overall process of risk assessment, identification, analysis and evaluation to ascertain existing and potential risks which may significantly affect the achievement of PITC's strategic objectives.

PITC abides by the guidelines and practices in adherence to:

- a) The Philippine Government Internal Audit Manual (PGIAM) issued pursuant to Department of Budget and Management (DBM) Circular No. 2011-5. PGIAM is the definitive policy resource manual for guiding the operations of internal audit in the Philippine public sector.
- b) Relevant or applicable standards and best practices in governance, accountability, and operations, both local and international, such as the International Organization for Standardization (ISO) and other officially recognized organizations and associations.

#### Risk Assessment Process Flow



#### PITC Risk Management Procedures: Stages and Key Actions

Process	Procedures and Key Actions
Assess Risks	1. Establish the context and audit criteria.
	2. Advise the head of group or department and the audit committee of all matters relating to management control and operations audit.
	3. Prepare questionnaires to properly identify and assess the internal and external factors which may adversely affect PITC's outcome of operations.
	4. Determine the high and low risk areas.
	5. Communicate and consult with the head of group or department regarding the assessment.
Identify Risks	1. Conduct management and operations performance audit of the group/department activities: determine the degree of compliance with their respective mandates, policies, government regulations, established objectives, system processes and contractual obligations.
	2. Identification of opportunities, threats and other important areas into which resources must be channeled.
	3. Determine the responsibility for the management of risk.
	4. Identify the causes and sources of risk, events, situations, circumstances which could have material impact upon objectives and the nature of the impact.
	5. Communicate and consult with the head of group or department regarding the risk identification.



Process	Procedures and Key Actions
Analyze Risks	1. Review and assess the systems and procedures, organizational structure, asset management practices, financial and management records, reports and performance standards of the department or group concerned
	2. Identify the factors that may affect the consequences and likelihood of risks
	3. Determine the causes, consequences and probabilities for each identified risk events
	4. Determine the effectiveness of the existing controls
	5. Communicate and consult with the head of group or department regarding the risk analysis
Evaluate Risks	1. Evaluate management deficiencies and assist top management by recommending realistic courses of action
	2. Compare estimated risks with defined risk criteria in order to gauge the level and type of each risk
	3. Evaluate the significance and materiality of each risk involved with the identified controls which may have impact on the achievement of control objectives.
	4. Evaluate if control was omitted, properly implemented and/or bypassed
	5. Communicate and consult with the head of group or department regarding the risk evaluation
Respond to Risks	1. Establish policies and procedures to address risks and to achieve the objectives.
	2. Perform other related duties and responsibilities which may be assigned and delegated by the Head of Agency or the Audit Committee or as required by law.
	3. Communicate and consult with the head of group or department regarding the risk treatment
Monitor and Review Risks	Conduct monitoring and review of all the risk management processes



## **MATERIAL RISK FACTORS AND RELEVANT CONTROL MEASURES TO MANAGE SUCH RISKS**

The table below sets out PITC’s material risk factors, key risk areas, and examples of relevant control measures to manage such risks. The Board as well as the Management Committee monitors relevant controls and measures through effective project/program planning and implementation at the corporate, operational and business unit levels. This ensures that the identified risks are being managed and closely monitored.

<b>Risk Factors</b>	<b>Risk Areas</b>	<b>Control Measures</b>
Strategic	Relevance, viability and sustainability of vision, mission and strategic objectives	<ul style="list-style-type: none"> <li>➤ Periodic assessment and monitoring of mandate alongside plans and programs during strategic planning sessions, review meetings and validation with the Board of Directors</li> <li>➤ PITC is committed in achieving sustainable growth in spite of the rapidly changing global trade environment. The Corporation continues to work on doubling its efforts in support of the development of domestic industries.</li> </ul>
Operational	Failure to attract, retain, develop and motivate the best people with the right capabilities across all levels of the organization	<ul style="list-style-type: none"> <li>➤ Competency build-up, training and people development processes are embedded across the organization</li> <li>➤ PITC seeks to understand and respond to employees’ needs by listening to their feedback from open conversations and performance reviews</li> </ul>
	Any significant failure in the ICT processes, online or in the supply chain, could impact the ability to trade and provide efficient services	<ul style="list-style-type: none"> <li>➤ Governance processes are in place around new system implementations and adherence to the government ICT standards is monitored and implemented</li> <li>➤ ICT equipment and tools are regularly evaluated and maximized to its full capacity given available resources</li> <li>➤ Establishing a clear program to maintain the integrity and efficiency of PITC’s ICT infrastructure and its security</li> </ul>
	<p>Failure in the implementation of internal processes, or uncontrollable external events in the conduct of business that redound to loss on financial performance and condition</p> <p>As an international trading entity, PITC also faces critical factors that may affect a transaction such as some global market situations, especially when other countries offer similar products as that of the</p>	<ul style="list-style-type: none"> <li>➤ Regular identification and quantification of exposure to such risks via Executive Committee meetings and monthly Project Monitoring Report.</li> <li>➤ PITC assembles a database of Buyers and Suppliers readily available for matching of Buyers’ requirements with Suppliers’ products. PITC conducts due diligence of its Suppliers before including them in the PITC Registry of Suppliers.</li> <li>➤ PITC utilizes its Credit/Finance Committee in the evaluation of the viability of a project/service before it is recommended to</li> </ul>



	<p>Philippines. Given such, there are some business prospects that may not materialize in the process due to uncompetitive prices and scarcity of domestic/supply production, or even political or environmental issues.</p>	<p>the Executive Committee for onward submission to the Board.</p> <ul style="list-style-type: none"> <li>➤ PITC strictly abides to RA 9184 in its Procurement Services and is resolving issues in accordance with the guiding policies of the Government Procurement Policy Board (GPPB).</li> </ul>
Compliance	<p>Insufficient compliance monitoring to PITC's obligations to statutory agencies, adherence to applicable laws and regulations, policies and procedures, ethical business conduct, and strategic quality standards could fail to identify weaknesses or breaches</p>	<ul style="list-style-type: none"> <li>➤ Accountable departments/employees are required to incorporate in their Quality Plan and/or Performance Scorecard key success indicators in terms of quantity, quality, efficiency and timeliness in the compliance obligations</li> <li>➤ In 2015, PITC acquired ISO 9001:2008 Certification for all its business and support processes. PITC aims for streamlined systems and processes to help the Corporation respond to its customers' needs by providing the highest quality of trade services</li> <li>➤ The Corporations' Code of Ethics has recently been reviewed for implementation to set out clear behavioral guidance, consistent with PITC's core values and good governance principles</li> </ul>