



the dr&pw

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Department:  
Roads and Public Works  
NORTHERN CAPE PROVINCE  
REPUBLIC OF SOUTH AFRICA

## DEPARTMENTAL RISK MANAGEMENT POLICY

Version 4  
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## 1. DEFINITIONS AND ACRONYMS

<b>“Accounting Officer”</b>	Is the Head of Department (HOD), according to the PFMA, 1999. The PFMA clarifies the division of responsibilities between the Head of Department (the Accounting Officer (AO)) and the political head (called the “Executive Authority” – the Member of the Executive Council (MEC)). The Executive Authority is responsible for policy choices and outcomes, while the Accounting Officer implements the policy and achieves the outcomes by taking responsibility for delivering the outputs defined in the departmental budget, which is also prepared by the Accounting Officer.
<b>“Audit Committee”</b>	An independent committee constituted to review the control, governance and risk management within the Department, established in terms of section 77 of the PFMA.
<b>“Chief Audit Executive”</b>	A senior official within the organisation responsible for internal audit activities. Where internal audit activities are sourced from external providers, the Chief Audit Executive is the person responsible for overseeing the service contract and the overall quality of the services provider.
<b>“CRO”</b>	Chief Risk Officer, the senior official who is head of the Risk Management Unit.
<b>“Department” / “DRPW”</b>	Means the Department of Roads and Public Works, Northern Cape Province.
<b>“Executive Authority”</b>	The Member of the Executive Council (MEC) of the Department who is accountable to the Northern Cape Provincial Legislature.
<b>“Framework”</b>	The Public Sector Risk Management Framework (PSRMF).
<b>“Inherent Risk”</b>	The exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.
<b>“King III”</b>	Is a ground-breaking code of corporate governance in South Africa issued by the King Committee on Corporate Governance. Three reports were issued in 1994 (King I), 2002 (King II), and 2009 (King III). Compliance with the King Reports is a requirement for companies listed on the Johannesburg Stock Exchange. The King Report on Corporate Governance has been cited as “the most effective summary of the best international practices in

	corporate governance".
<b>"Management"</b>	All officials of the Department except the Chief Risk Officer and officials reporting to him/her.
<b>"Other Official"</b>	An official other than the Accounting Officer, Management, Chief Risk Officer and his/her staff.
<b>"PFMA"</b>	Public Finance Management Act, Act No. 1 of 1999 as amended by Act No. 29 of 1999.
<b>"Residual Risk"</b>	The remaining exposure after the mitigating effects of deliberate management intervention(s) to control such exposure (the remaining risk after Management has put in place measures to control the inherent risk).
<b>"Responding to Risk"</b>	Risk response is concerned with the developing strategies to reduce or eliminate the threats and events that create risks.
<b>"Risk"</b>	An unwanted outcome, actual or potential, to the Department's service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present upside potential, which Management must be aware of and be prepared to exploit. This definition of "risk" also encompasses such opportunities.
<b>"Risk Appetite"</b>	The amount of residual risk that the Department is willing to accept.
<b>"Risk Assessment"</b>	A systematic process to quantify or qualify the level of risk associated with a specific threat or event, to enrich the risk intelligence available to the Department.
<b>"Risk Champion"</b>	A person who by virtue of his/her expertise or authority champions a particular aspect of the risk management process, but who is not the risk owner, i.e deputy directors and assistant directors.
<b>"Risk Factor"</b>	Any threat or event which creates, or has the potential to create risk.
<b>"Risk Identification"</b>	A deliberate and systematic effort to identify and document the Department's key risk.
<b>"Risk Management"</b>	Is a systematic and formalised process to identify, assess, prioritise, manage, and monitor risks for the Department. More closely, it can be defined as <i>the effect of uncertainty on objectives</i> . It subsequently involves the coordinated and economical application of resources to minimize, and control the probability and/or impact of unfortunate events



	or to maximize the realization of opportunities.
<b>“ Risk Management Committee”</b>	A committee appointed by the Accounting Officer to review the Department’s system of risk management.
<b>“Risk Management Unit”</b>	A business unit responsible for coordinating and supporting the overall departmental risk management process, but which does not assume the responsibilities of Management for identifying, assessing and managing.
<b>“Risk Monitoring”</b>	Monitoring concerns checking on a regular basis to confirm the proper functioning of the entire risk management system.
<b>“Risk Owner”</b>	The person accountable for managing a particular risk. i.e Chief Directors and Senior Managers.
<b>“Risk Tolerance”</b>	The amount of risk the Department is capable of bearing (as opposed to the amount of risk the Department is willing to bear.
<b>“RMC”</b>	Risk Management Committee.

## 2. INTRODUCTION

This policy seeks to outline the Department’s commitment to protecting the Department against adverse outcomes which may impact negatively on service delivery. This policy further seeks to confirm the Department’s commitment to the legal and regulatory framework of risk management.

## 3. POLICY STATEMENT

- 3.1 The Department is committed to implementing and maintaining an effective, efficient and transparent system of risk management.
- 3.2 Risk management is the process of making and carrying out decisions that will minimize the adverse effect of losses upon our Department. Risk management it is vital to the Department’s ability to pursue its goals, and to commence and implement programs, in an efficient and effective manner.

## 4. PHILOSOPHICAL BACKGROUND

- 4.1 Risk management is more than quantitative analytics; it is a philosophy that is rooted in questions like:
  - How does the Department create value?
  - What is the Department’s unique place?
  - How do we define the departmental mission and vision?

- 4.2 Once management is aligned on these questions, the next step in risk management is to measure. Identifying and tracking key metrics will inform the reporting process so that early warning indicators can be identified and adjustments can be made where needed. Just as the Department establishes cash budgets, it also needs to create risk budgets.
- 4.3 A lot of the skill and the value involved in risk management is not only in saying where you are today, but identifying where you might be tomorrow, and what you need to be doing today to prepare for that.
- 4.4 The Department's philosophy of risk management has its foundation in the concept that taking risks is required in order to seek rewards and to fulfil the Department's multi-faceted mission. However, these risks should be assessed in order to insure that effective mitigation strategies are employed to the greatest extent possible.
- 4.5 Mitigation strategies should consider transferring or insuring risk, reducing the likelihood of the risk occurring, reducing the severity of the risk should it occur, avoiding the risk altogether, or accepting the risk, while continuing to monitor it to ensure it stays within the Department's risk appetite.

## 5. OBJECTIVE OF THE POLICY

- 5.1 The objective of this policy is to:
- 5.1.1 ensure that every effort is made within the Department to manage risks within the Department's regulatory framework;
  - 5.1.2 maximise potential opportunities and minimise the adverse effects of risks;
  - 5.1.3 promote the adoption of sound risk management practices within the Department;
  - 5.1.4 assist the DRPW management in decision making;
  - 5.1.5 improve accountability, efficiency and effective administration within the Department;
  - 5.1.6 promote a risk management culture in all spheres of the Department and to improve risk transparency to its stakeholders;
  - 5.1.7 maximise the stakeholders' value and net worth by managing risks that may impact negatively the defined financial and performance drivers.
  - 5.1.8 assist the Department in enhancing and protecting those opportunities that present the greatest service delivery benefits.



## 6. REGULATORY FRAMEWORK

- 6.1 The following instruments provide the regulatory framework for management's and other officials responsibility for risk management within the Department, namely:
  - 6.1.1 The Public Finance Management Act, Act No. 1 of 1999 (The PFMA), as amended, Section 38(1) (a) (i).
  - 6.1.2 The Public Finance Management Act, Act No. 1 of 1999 (The PFMA), as amended, Section 45.
  - 6.1.3 The Public Service Anti-Corruption Strategy (2000).
  - 6.1.4 The Protected Disclosures Act, Act No. 26 of 2000, Section 2 (1) (a) & (b).
  - 6.1.5 The Prevention and Combating of Corrupt Activities Act, Act No. 12 of 2004.
  - 6.1.6 Treasury Regulations and Guidelines.
  - 6.1.7 The King III report of 2009.
  - 6.1.8 The Batho Pele Principles.
  - 6.1.9 The Constitution of the Republic of South Africa Act, Act No. 108 of 1996.
  - 6.1.10 The National Treasury Public Sector Risk Management Framework (See Annexure A).
  - 6.1.11 The International Standards for the Professional Practice of Internal Auditing, 2008, and revised 2012.
  - 6.1.12 The Departmental Risk Management Strategy.
  - 6.1.13 The Departmental Code of Conduct.
  - 6.1.14 The Departmental Fraud Prevention Policy.
  - 6.1.15 The Departmental Whistle Blowing Policy.

## 7. POLICY SCOPE AND APPLICATION

- 7.1 The realisation of strategic objectives demands from the Department to take calculated risks in a way that does not jeopardise the direct interests of the stakeholders. Sound management of risk will enable the Department to anticipate and respond to changes in the service delivery environment, as well as take informed decisions under conditions of uncertainty.
- 7.2 The principles in this policy will apply to all employees of the Department whether appointed on permanent or temporary/contract basis as well as officials enrolled in the internship/learner ships programs.
- 7.3 Furthermore this policy will be applied in all the activities of the Department.
- 7.4 Risk Management should be incorporated into the performance agreements and job descriptions of management.
- 7.5 As prescribed, the performance agreement or work plans of the Department's managers will provide for the Core Management Criteria of "People Management"

which hold managers accountable for addressing misconduct and fraud within their sections.

## 8. ROLES AND RESPONSIBILITIES

The following persons are responsible for managing of risk within the Department, namely:

### 8.1 The Executive Authority

- 8.1.1 The responsibilities of the Executive Authority with regards to risks management are to:
- a) Ensure that the Department's strategies are aligned to its government mandate.
  - b) Obtain assurance from management that the Department's strategies were identified and assessed, and are properly managed.
  - c) Assist the accounting officer to deal with fiscal, intergovernmental, political and other risks which are beyond his direct control and influence.
  - d) Insist on the achievement of objectives, effective performance management and add value for money.
  - e) Raise awareness of and concurring with the Department's risk appetite and tolerance levels.
  - f) Provide oversight over the Department's portfolio view of risks and consider it against the Department's risk tolerance.
  - g) Require that management should have an established set of values by which every employee should abide by.
  - h) Insist on accountability.
  - i) Create an enabling environment to ensure that the Institutional environment supports the effective functioning of risk management.

### 8.2 The Accounting Officer

- 8.2.1 The responsibilities of the Accounting Officer with regard to risks management are to:
- a) Set the tone at the top by supporting Enterprise Risk Management (ERM) and allocating resources towards the implementation thereof.
  - b) Establish the necessary structures and reporting lines within the Department to support ERM.
  - c) Approve the risk management strategy, risk management policy, risk management implementation plan and fraud management policy.
  - d) Approve the Department's risk appetite and risk tolerance.
  - e) Influence and coerce the Department to have a risk "awareness" culture.
  - f) Approve the Department's code of conduct and hold management and officials accountable for its adherence.



- g) Hold management accountable for designing, implementing, monitoring and integrating risk management principles to their day-to-day activities.
- h) Ensure that a conducive control environment exists to ensure that identified risks are proactively managed;
- i) Leverage the Audit Committee, Internal Audit, Risks Management Committee and appropriate structures for improving the overall state of risk management.
- j) Provide appropriate leadership and guidance to senior management and structures responsible for various aspects of risk management.

### 8.3 The RMC

8.3.1 The responsibilities of the RMC with regard to risks management are to:

- 8.3.1.1 Review and recommend for approval of the Accounting Officer the risk management policy, strategy, implementation plan and the Department's risk appetite, ensuring that limits are:
  - a) Supported by a rigorous analysis and expert judgement.
  - b) Expressed in the same values as the key performance indicators to which they apply.
  - c) Set for material risks individually, as well as in aggregate for particular categorisation of risk.
  - d) Consistent with the materiality and significant framework the RMC should take responsibility for:
    - i) The Department's ability to withstand significant shocks.
    - ii) The Department's ability to recover financially and operationally from significant shocks.
    - iii) Evaluate the extent and effectiveness of integration of risk management within the Department.
    - iv) Assess implementation of risk management policy, strategy and implementation plan.
    - v) Evaluate the effectiveness of the mitigating strategies implemented to address the material risks of the Department.
    - vi) Review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations.
    - vii) Develop own key performance indicators for approval by the accounting officer.
    - viii) Interact with the Audit Committee to share information relating to material risks of the Department.

- ix) Provide timely and useful reports to the accounting officer on the state of risks management together with accompanying recommendations to address any deficiencies identified by the Committee.

8.3.1.2 In instances where the scale, complexity and geographical dispersion of the Department's activities dictate the need for RMC to work through sub – committees, the RMC should ensure that:

- a) Approval is obtained from the accounting officer for the establishment of subcommittees.
- b) The terms of reference of the subcommittees are aligned to that of the RMC.
- c) The RMC exercises control over the functioning of the subcommittees.

8.3.1.3 The RMC shall be chaired by an official appointed by the Accounting Officer or his / her designate. In instances where the chairperson is unable to attend a meeting of the RMC, or otherwise indisposed, the members of the RMC shall by majority vote (50% + 1), elect an interim chairperson for that particular meeting.

## 8.4 The CRO

8.4.1 The responsibilities of the CRO with regard to risk management are to:

8.4.1.1 Work with senior management to develop the Department's vision for risk management.

8.4.1.2 Develop, in consultation with management, the Department's risk management framework incorporating, inter alia, the:

- a) risk management policy;
- b) risk management strategy;
- c) risk management implementation plan; risk management methodology;
- d) risk appetite and tolerance; and
- e) risk classification.

8.4.1.3 Communicate the Department's risk management framework to all stakeholders in the Department and monitoring its implementation.

8.4.1.4 Facilitate orientation and training for the RMC.

8.4.1.5 Training stakeholders in their risk management functions.

8.4.1.6 Continuously driving risk management to higher levels of maturity.

8.4.1.7 Assist management with risk identification, assessment and development of response strategies.

8.4.1.8 Monitor the implementation of response strategies.

8.4.1.9 Collate, aggregate, interpret and analyse the results of risk assessment to extract intelligence.

8.4.1.10 Report risk intelligence to the Accounting Officer and RMC.

8.4.1.11 Participate with internal audit, management and Auditor – General in developing the combined assurance plan for the Department.

## 8.5 The DRPW Management

The responsibilities of Management with regard to risks management are to:

- 8.5.1 Execute their responsibilities in the risk management strategy.
- 8.5.2 Empower officials to perform effectively in their risk management responsibilities through communication of responsibilities, comprehensive orientation and on going opportunities for skills development.
- 8.5.3 Align the functional risk management methodologies and processes with the Department's process.
- 8.5.4 Devoting personal attention to overseeing the management of key risk within their area of responsibility.
- 8.5.5 Maintain a cop-operative relationship with the RMC and Risk Champion.
- 8.5.6 Provide risk management reports.
- 8.5.7 Present to the RMC and Audit Committee information as requested.
- 8.5.8 Maintain proper functioning of the control environment within their area of responsibility.
- 8.5.9 Monitor risk management within their area of responsibility.
- 8.5.10 Hold officials accountable for their specific risk management responsibilities.

## 8.6 Other Officials

The responsibilities of other officials with regard to risk management are to:

- 8.6.1 Apply the risk management processes in their respective functions.
- 8.6.2 Implement the delegated action plans to address identified risks.
- 8.6.3 Inform their supervisors and/or the Risk Management Unit of new risks and significant changes in known risks.
- 8.6.4 Cooperate with other role players in the risk management process and providing information as required.
- 8.6.5 Report suspicion of fraud and corruption to the CRO and Management.
- 8.6.6 Report inefficient, unnecessary or unworkable controls.
- 8.6.7 Participate in risk identification and risk assessment within their business units.
- 8.6.8 Adhere to the code of conduct of the Department.
- 8.6.9 Act within the risk appetite and tolerance levels set by the business unit.
- 8.6.10 Familiarise themselves with the overall risk management vision, risk management strategy and fraud risk management policy of the Department.

## 8.7 The Risk Champion

The responsibilities of Risk Champions with regard to risk management are to:



- 8.7.1 Intervene in instances where the risk management efforts are being hampered, for example, by the lack of co – operation by Management and other officials and the lack of institutional skills and expertise.
- 8.7.2 Add value to the risk management process by providing guidance and support to manage “problematic” risks and risks of a transversal nature that require a multiple participant approach.
- 8.7.3 Acts as a change agent in the risk management process and is distinguished from risk owners in that champions are trouble shooters that facilitate resolution of risk related problems.
- 8.7.4 Should assist the Risk Owner to resolve risk related problems.

## **8.8 The Internal Auditing Unit**

- 8.8.1 The departmental auditing unit must provide an independent, objective assurance on the effectiveness of the Department’s system of risk management in terms of:
  - a) evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary; and
  - b) develop its internal audit plan on the basis of key risks areas.
- 8.8.2 In terms of the International Standards for the Professional Practice of Internal Audit, determining whether risk management processes are effective is a judgement resulting from the Internal Audit Auditor’s assessment that the:
  - a) Department’s objectives support and align with the Department’s mission;
  - b) significant risks are identified and assessed;
  - c) risk responses are appropriate to limit risk to an acceptable level; and
  - d) relevant risk information is captured and communicated in a timely manner to enable the accounting officer, the RMC and other officials to carry out their responsibilities.

## **8.9 The External Auditor(s)**

- 8.9.1 The responsibilities of the external auditor(s) with regard to risk management are to:
  - a) determine whether the risk management policy, strategy and implementation plan are in place and are appropriate;
  - b) assess the implementation of the risk management policy, strategy and implementation plan;
  - c) review the risk identification process to determine if it is sufficiently robust to facilitate the timely, correct and complete identification of significant risks, including new and emerging risks;

- d) review the risk assessment process to determine if it sufficiently robust to facilitate timely and accurate risk rating and prioritisation; and
- e) determining whether the management action plans to mitigate the key risks are appropriate, and are being effectively implemented.

## 8.10 Provincial Treasury

- 8.10.1 The responsibilities of provincial treasury with regard to risks management are to:
- a) prescribe uniform norms and stands;
  - b) monitor and assess the implementation of the PFMA;
  - c) assist the Department in building its capacity for efficient, effective and transparent financial management;
  - d) enforce the PFMA;
  - e) monitor and assess among other things, the implementation of risk management, including any prescribed norms and standards
  - f) assist the Department in building its capacity for, among other things, efficient, effective and transparent management; and
  - g) enforce the legislation and any prescribed norms and standards for, among other things, risk management in the Department.

## 8.11 The DRPW Audit Committee

- 8.11.1 The responsibilities of the audit committee with regard to risks management are to:
- a) review and recommend disclosures on matters of risk in the annual financial statement;
  - b) review and recommend disclosures on matters of risk and risk management in the annual report;
  - c) provide regular feedback to the accounting officer on the adequacy and effectiveness of risk management in the Department, including recommendations for improvement;
  - d) ensure that the internal and external audit plans are aligned to the risk profile of the Department;
  - e) satisfy itself that it has appropriately addressed the , financial reporting risk, risk of fraud, internal financial controls and it risks as they relate to financial reporting; and
  - f) evaluate the effectiveness of internal audit in its responsibilities for risk management.

## 9. THE DRPW'S APPROACH TO RISK MANAGEMENT



- 9.1 The Department's Risk Management Strategy, Code of Conduct, Fraud Prevention Policy and Whistleblowing policy will form an integral part of the Department's risk management implementation plan.
- 9.2 The Department's has developed and implemented basic internal control measures in most of its operational areas. The Department is committed to maintain internal control measures, which are practical and effective.

## 10. THE DRPW RISK ASSESSMENT PROCESS

- 10.1 The DRPW will maintain procedures to provide with a systematic view of risks faced in the course of the departmental activities. This will require the Department to:
  - 10.1.1 **Establish Context and Objectives-** The risk is the strategic, organisational and risk management context against which of the risk management process in the Department will take place. Criteria against which risk will be evaluated should be established and the structure of the risk analysis be defined. The objectives of the Department must also be taken into consideration and be defined properly.
  - 10.1.2 **Identify Risk-** This is the identification of what, why and how events arise as the basis for further analysis.
  - 10.1.3 **Analyse and Evaluate Risk-** This is the determination of existing controls and the analysis of risks in terms of consequences and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur.
  - 10.1.4 **Treat Risk-** For higher priority risks, the Department is required to develop and implement specific risk management plans. Lower priority risks may be accepted and monitored.
  - 10.1.5 **Monitor and Review-** This is the oversight and review management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
  - 10.1.6 **Communication and Consultation-** Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.
- 10.2 The DRPW, by means of the RMU and the RMC must foster the creation of risk management and assessment awareness in the Department.
  - 10.2.1 The success of risk management is dependent upon whether the Department will maintain an effective awareness campaign, which must be implemented in terms of two categories, namely Education and Communication.
  - 10.2.2 The RMC will provide continuous input into the risk management process by means of risk and risk management reviews and evaluations.



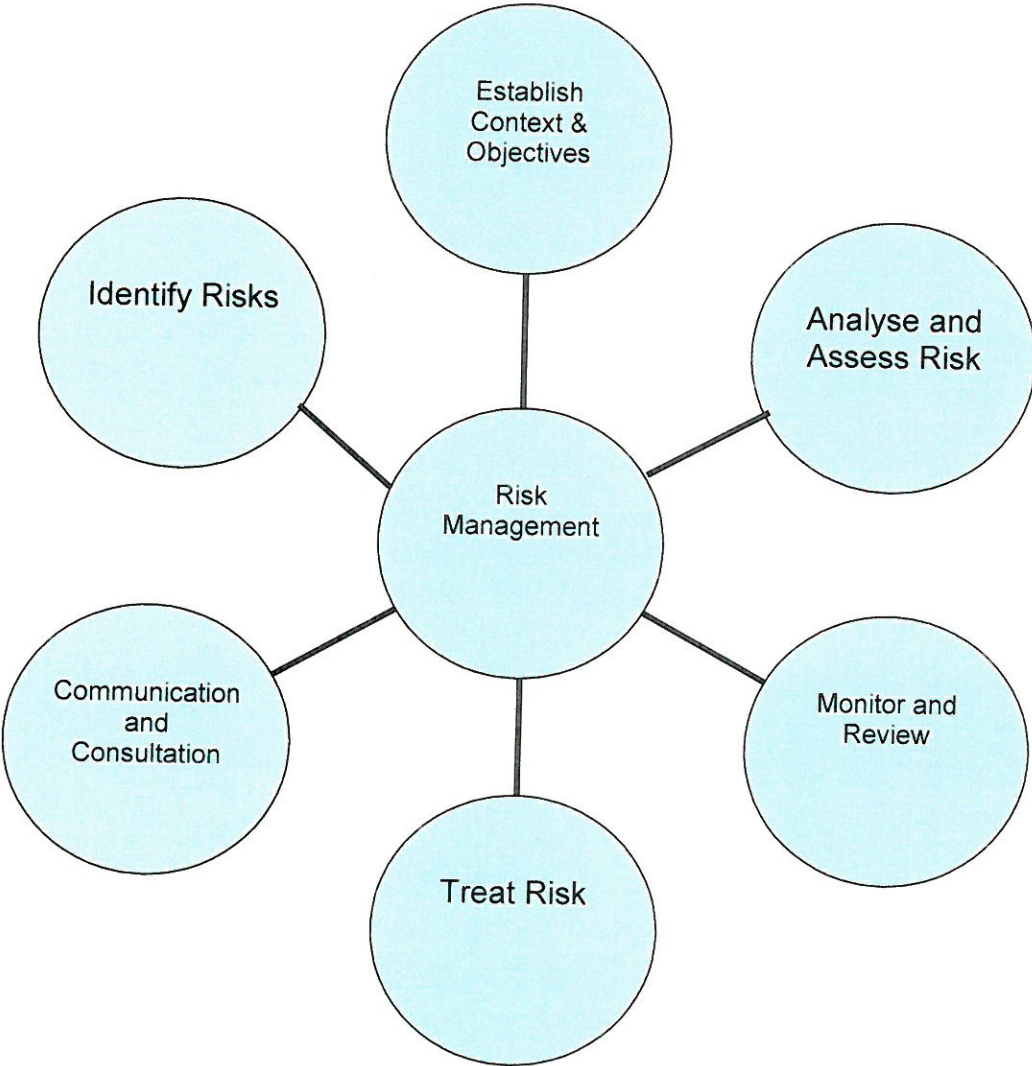


Diagram 1: The Risk Management Process

11. REPORTING

- 11.1 Senior Managers are risk owners and will be required to report regularly on progress relating to mitigation of risks related to their directorates.
- 11.2 The reporting format designed by the CRO and approved by risks by the owners will be used for the purpose of regular reporting to Internal Inspectorate Sub-Directorate to make certain that risk mitigation action plans are implemented.
- 11.3 The CRO will present risk management report to both the Risk Management Committee and Senior Management Meeting.

12. DEPARTMENTAL RISK TOLERANCE

To ensure effective setting of tolerances the following basic practical ways or principles will be applied.

**Principle 1: Use of legislated or regulatory frameworks**

This applies to risks where legislation already set thresholds or deadlines and where processes are well regulated.

**Principle 2: Nationally set priorities**

The department will adopt levels as determined by the Government of the day to deal with issues such as crime, mortality rate, eradication of poverty, unemployment rate, etc.

**Principle 3: Absolute figures**

At an individual strategic risk level, the department may calculate or express in rand value the amount of loss resulting to a risk occurring. A threshold is then determined to establish the monetary loss which the department is willing to accept.

**Principle 4: Key risk indicators**

This principle enables one or more tolerances to be set for the same risk depending on the number of indicators identified for that risk. The number of risk indicators may be used to determine acceptability of the risk.

Example:

Risk description : IT system failure

Key risk indicator : Number of help desk queries received per day

Risk tolerance:

No. of queries per day	Explanation of tolerance in relation to threshold
1 - 4	<u>Unacceptable</u> , too low, this may depict probability of unanswered queries and reluctance by employees to log queries due to loss of trust/confidence in IT unit
5 – 14	<u>Acceptable</u> , this may be normal
15 – 25	<u>Acceptable with caution</u> : there may be a common problem to all users with a possibility of one common solution, situation may be manageable
Over 25	<u>Unacceptable at all</u> , drastic actions need to be taken immediately, the system is failing the operations of the Department

**Principle 5: Using number of losses (loss register)**

This information is already somewhere within the department in terms of how many losses and what has been lost over a particular period. This losses could be as a result of theft, fraud, damage or where possible expiration.

**Principle 6: Results of risk assessments**

Consideration is made in terms of how the risk profile of the Department looks like.

Below is an example.

Risk priority	Risk acceptability	Proposed actions
Low risks	Acceptable	<ul style="list-style-type: none"> <li>No further risk reduction required</li> <li>Continue control</li> <li>Monitor at least annually</li> </ul>
Medium risks	Unacceptable	<ul style="list-style-type: none"> <li>Implement further actions to reduce likelihood of risk occurrence</li> <li>Draw action plans to mitigate risks</li> <li>Monitor at least quarterly</li> </ul>
High risks	Unacceptable	<ul style="list-style-type: none"> <li>Drastic action plans</li> <li>Allocate resources</li> <li>Contingency plans</li> <li>Business Continuity Plans</li> <li>Remedial actions</li> <li>Continuous monitoring</li> </ul>

### 13. EVALUATION OF RISK MANAGEMENT EFFECTIVENESS

13.1 Evaluation of risk management effectiveness is vital to maximise the value created through risk management practices.

13.2 The Department will strive to achieve a mature risk management regime in order to realise its risk management goals and objectives.



13.3 The Department will periodically evaluate its risks by measuring outcomes against pre-set key performance indicators.

### RATING GUIDE

#### LIKELIHOOD

Likelihood rating guide		
Score	Assessment	Definition
1	Rare	The risk is conceivable but it's likely to occur in extreme circumstances
2	Unlikely	The risk occurs infrequently and is likely to occur within next 3 years
3	Moderate	There is an above average chance that the risk will occur at least once in 3 years.
4	Likely	The risk could easily occur and is likely to occur at least once within the next 12 months
5	Common	The risk is already occurring ,or is likely to occur more than once within the next 12 months.

#### IMPACT

Impact rating guide		
Score	Impact	Definition
1	Insignificant	Negative outcomes or missed opportunities that are likely to have a negligible impact to meet objectives
2	Minor	Negative outcomes or missed opportunities that are likely to have a relatively low impact to meet objectives
3	Moderate	Negative outcomes or missed

		opportunities that are likely to have a relatively moderate impact to meet objectives
4	Major	Negative outcomes or missed opportunities that are likely to have a relatively substantial impact to meet
5	Critical	Negative outcomes or missed opportunities that are of critical importance to the achievement of the objectives.

#### 13.4 Assessment Results

A risk is allocated a risk rating based on the assessment of its impact and likelihood. The risk rating of a risk is defined as the product of its assessment scores for impact and likelihood.

Example: **likelihood score X Impact score =Risk rating**

#### RISK RATING

Risk rating	Risk Priority	Action
15 to 25	High	Take immediate action to reduce risk to acceptable
8 to 14	Medium	Closely monitor risk and take action if necessary
1 to 7	Low	Take no action-monitor periodically

## 14. POLICY AUDIT

An audit will be conducted on the policy bi-annually to determine its impact in achieving the objectives it is set out to achieve as well as alignment to the process, and the policy will be updated annually to reflect any changes.

## 15. VIOLATION AND ENFORCEMENT

Any employees, contractors, consultants, service providers, temporary and other workers of the Department who are found to have violated this policy may be subject to disciplinary / legal action and / or criminal prosecution, including termination of

employment contracts as well as any other types of contracts with the Department.

## 16. POLICY REVIEW AND AMENDMENT

- 16.1 This policy is effective from date of signature.
- 16.2 The assessment to determine the effectiveness and appropriateness of this policy will be done two years after its effective date and thereafter on a bi-annual basis. The assessment could be performed earlier than two years to accommodate any substantial structural or other organizational changes at the Department or any change required by law.
- 16.3 If and when any provision of this policy is amended, the amended provision will supersede the previous one.
- 16.4 Deviations from this policy must be approved by the Accounting Officer.

## 17. APPROVAL OF THE POLICY AND DATE OF EFFECT

*This policy is Approved / Not Approved*

*Comments:*

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\_\_\_\_\_  
HEAD OF DEPARTMENT

  
\_\_\_\_\_  
DATE

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