



the dr&pw

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

DEPARTMENTAL POLICY ON RISK MANAGEMENT

VERSION 2

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1. DEFINITIONS

In this policy, unless the context indicates otherwise

“Accounting Officer” means	The head of department.
“Audit Committee” means	An independent committee constituted to review the control, governance and risk management within the institution, established in terms of section 77 of the PFMA.
“Chief Audit Executive” means	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.
“Chief Risk Officer” means	A senior official who is head of the risk management unit senior official
“Department” means	Department of Roads and Public Works (DRPW).
“Executive Authority” means	The Member of the Executive Council (MEC) of the department who is accountable to the Northern Cape Provincial legislature.
“Framework” means	The Public Sector Risk Management Framework (PSRMF).
“Inherent Risk” means	The exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.
“Internal Auditing” means	An independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes
“King III” means	The code of Corporate Governance of South Africa 2009
“Management” means	All officials of the department except the Chief Risk Officer and officials reporting to him/her.
“Other Official” means	An official other than the Accounting Officer, Management, Chief Risk Officer and his/her staff.
“PFMA” means	Public Finance Management Act (No.1 of 1999 as amended by Act No.29 of 1999
“Residual Risk” Means	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)
“Responding to Risk” means	Risk response is concerned with the developing strategies to reduce or eliminate the threats and events that create risks.
“Risk” means	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.
“Risk Appetite” means	The amount of residual risk that the department is willing to accept.
“Risk Assessment” means	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.
“Risk Champion” means	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
“Risk Factor” means	Any threat or event which creates, or has the potential to create risk.
“Risk Identification” means	A deliberate and systematic effort to identify and document the department’s key risk
“Risk Management” means	A systematic and formalised process to identify, asses, manage and monitor risks.
“ Risk Management Committee” means	A committee appointed by the Accounting Officer to review the department’s system of risk management.
“Risk Management Unit” means	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.
“Risk Monitoring” means	Monitoring concerns checking on a regular basis to confirm the proper functioning of the entire risk management system.
“Risk owner” means	The person accountable for managing a particular risk. i.e Chief Directors and Senior Managers
“Risk Tolerance” means	The amount of risk the department is capable of bearing (as opposed to the amount of risk the department is willing to bear.

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. PURPOSE/OBJECTIVE OF THE POLICY

The purpose or objective of this policy is:

- 3.1 To ensure that every effort is made within the department to manage risks within the department's regulatory framework.
- 3.2 To maximise potential opportunities and minimise the adverse effects of risks.
- 3.3 To promote the adoption of sound risk management practices within the department.
- 3.4 To assist the department's management in decision making.
- 3.5 To improve accountability, efficiency and effective administration within the department.
- 3.6 To promote a risk management culture in all spheres of the department and to improve risk transparency to its stakeholders.
- 3.7 To maximise the stakeholders' value and net worth by managing risks that may impact negatively the defined financial and performance drivers.
- 3.8 To assist the department in enhancing and protecting those opportunities that present the greatest service delivery benefits.

4. LEGISLATIVE FRAMEWORK

The following instruments provide the legal framework for management's and other officials responsibility for risk management within the department, namely:-

- 4.1 Section 38(1)(a)(i) of the PFMA
- 4.2 Section 45 of the PFMA
- 4.3 Public Service Anti - Corruption Strategy (2000)
- 4.4 Section 2 (1) (a) & (b) of the Protected Disclosures Act of 2000
- 4.5 Prevention of Combating of Corrupt Activities Act 2004
- 4.6 Treasury Regulations and Guidelines

- 4.7 King III report of 2009
- 4.8 Batho Pele Principles
- 4.9 Constitution of the Republic of South Africa
- 4.10 Public Sector Risk Management Framework

5. SCOPE AND APPLICATION

- 5.1. 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 make informed decisions under conditions of uncertainty.
- 5.2. 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/learnership programs.
- 5.3. Furthermore this policy will be applied in all the activities of the department.
- 5.4. Risk Management should be incorporated into the performance agreements and job descriptions of management.
- 5.5. 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.

6. ROLES AND RESPONSIBILITIES

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

6.1. Executive Authority

The responsibilities of the Executive Authority with regards to risks management are to:

- Ensure that the department's strategies are aligned to its government mandate;
- Obtain assurance from management that the department's strategies were identified and assessed, and are properly managed;
- Assist the accounting officer to deal with fiscal, intergovernmental, political and other risks which are beyond his direct control and influence;
- Insist on the achievement of objectives, effective performance management and add value for money;

- Raise awareness of and concurring with the department's risk appetite and tolerance levels;
- Provide oversight over the department's portfolio view of risks and consider it against the department's risk tolerance;
- Require that management should have an established set of values by which every employee should abide by;
- Insist on accountability;
- Create an enabling environment to ensure that the Institutional environment supports the effective functioning of risk management.

6.2. Accounting Officer

The responsibilities of the Accounting Officer with regard to risks management are to:

- Set the tone at the top by supporting Enterprise Risk Management (ERM) and allocating resources towards the implementation thereof;
- Establish the necessary structures and reporting lines within the department to support ERM;
- Approve the risk management strategy, risk management policy, risk management implementation plan and fraud management policy;
- Approve the department's risk appetite and risk tolerance;
- Influence and coerce the department to have a risk "awareness" culture;
- Approve the department's code of conduct and hold management and officials accountable for its adherence;
- Hold management accountable for designing, implementing, monitoring and integrating risk management principles to their day – to – day activities;
- Ensure that a conducive control environment exists to ensure that that identified risks are proactively managed;
- Leverage the Audit Committee, Internal Audit, Risks Management Committee and appropriate structures for improving the overall state of risk management;
- Provide appropriate leadership and guidance to senior management and structures responsible for various aspects of risk management

6.3. Risk Management Committee (RMC)

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

- 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; and
 - d) Consistent with the materiality and significance framework the RMC should take responsibility for:
 - The department's ability to withstand significant shocks;
 - The department's ability to recover financially and operationally from significant shocks;
 - Evaluate the extent and effectiveness of integration of risk management within the department;
 - Assess implementation of risk management policy, strategy and implementation plan;
 - Evaluate the effectiveness of the mitigating strategies implemented to address the material risks of the department;
 - Review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;
 - Develop its own key performance indicator's for approval by the accounting officer;
 - Interact with the Audit Committee to share information relating to material risks of the department; and
 - 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.

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:-

- Approval is obtained from the accounting officer for the establishment of sub – committees
- The terms of reference of the sub – committees are aligned to that of the RMC; and
- The RMC exercises control over the functioning of the sub – committees.

6.4. Chief Risk Officer (CRO)

The responsibilities of the CRO with regard to risks management are to:

- Work with senior management to develop the department's vision for risk management;
- 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.
- Communicate the department's risk management framework to all stakeholders in the department and monitoring its implementation;
- Facilitate orientation and training for the RMC;
- Training stakeholders in their risk management functions;
- Continuously driving risk management to higher levels of maturity;
- Assist management with risk identification, assessment and development of response strategies;
- Monitor the implementation of response strategies;
- Collate, aggregate, interpret and analyse the results of risk assessment to extract intelligence;
- Report risk intelligence to the Accounting Officer and RMC; and
- Participate with internal audit, management and Auditor – General in developing the combined assurance plan for the department

6.5. Management

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

- Execute their responsibilities in the risk management strategy;

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

6.6. Other officials

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

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

6.7. Risk champion

The responsibilities of risk champions with regard to risks management are to:

- 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.
- 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; and
- 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
- Should assist the Risk Owner to resolve risk related problems.

6.8. Internal Auditing

The responsibilities of internal auditing with regard to risks management are to:

- Provide an independent, objective assurance on effectiveness of the department’s system of risk management;
- Evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary; and
- Develop its internal audit plan on the basis of key risks areas

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;

- Department’s objectives support and align with the department’s mission;
- Significant risks are identified and assessed;
- Risk responses are appropriate to limit risk to an acceptable level; and
- Relevant risk information is captured and communicated in a timely manner to enable the Accounting Officer, RMC and other officials to carry out their responsibilities.

6.9. External Audit

The responsibilities of external audit with regard to risks management are to:

- Determine whether the risk management policy, strategy and implementation plan are in place and are appropriate;
- Assess the implementation of the risk management policy, strategy and implementation plan;
- 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;
- Review the risk assessment process to determine if it sufficiently robust to facilitate timely and accurate risk rating and prioritisation; and
- Determining whether the management action plans to mitigate the key risks are appropriate, and are being effectively implemented.

6.10. Provincial Treasury

The responsibilities of provincial treasury with regard to risks management are to:

- Prescribe uniform norms and stands;
- Monitor and assess the implementation of the PFMA;
- Assist the department in building its capacity for efficient, effective and transparent financial management;
- Enforce the PFMA;
- Monitor and assess among other things, the implementation of risk management, including any prescribed norms and standards
- Assist the department in building its capacity for, among other things, efficient, effective and transparent management; and
- Enforce the legislation and any prescribed norms and standards for, among other things, risk management in the department.

6.11. Audit Committee

The responsibilities of the audit committee with regard to risks management are to:

- Review and recommend disclosures on matters of risk in the annual financial statement;
- Review and recommend disclosures on matters of risk and risk management in the annual report;

- Provide regular feedback to the accounting officer on the adequacy and effectiveness of risk management in the department, including recommendations for improvement;
- Ensure that the internal and external audit plans are aligned to the risk profile of the department;
- 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
- Evaluate the effectiveness of Internal Audit in its responsibilities for risk management.

7. DEPARTMENT'S APPROACH TO RISK MANAGEMENT

- The department's Risk Management Charter, Code of Conduct, Fraud Prevention Policy and Whistle blowing policy will form an integral part of the department's risk management implementation plan.
- 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.

8. PROCESS RISK ASSESSMENT

Department of Roads and Public Works 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:

- 8.1 **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
- 8.2 **Identify Risk-** This is the identification of what, why and how events arise as the basis for further analysis.
- 8.3 **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
- 8.4 **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

8.5 **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

8.6 **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

8.7 **Creating awareness:**

For risk management to be successful, the department will maintain an effective awareness campaign divided into two categories namely: Education and Communication.

The RMC will provide continuous input into the risk management policy through reviews and evaluation.

Schematic

presentation



9. REPORTING

- Senior Managers are risk owners and will be required to report regularly on progress relating to mitigation of risks related to their directorates.
- 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.
- The CRO will present risk management report to both the Risk Management Committee and Senior Management Meeting.

10. DEPARTMENTAL RISK TOLERANCE

The department must ensure the establishment of risk tolerance rating levels by management.

11. EVALUATION OF RISK MANAGEMENT EFFECTIVENESS

- 11.1 Evaluation of risk management effectiveness is vital to maximise the value created through risk management practices;
- 11.2 The department will strive to achieve a mature risk management regime in order to realise its risk management goals and objectives;
- 11.3 The department will periodically evaluate its risks by measuring outcomes against preset 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.

11.4 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

12. POLICY AUDIT AND REVIEW

Audit will be conducted on the policy 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 every two years to reflect any changes.

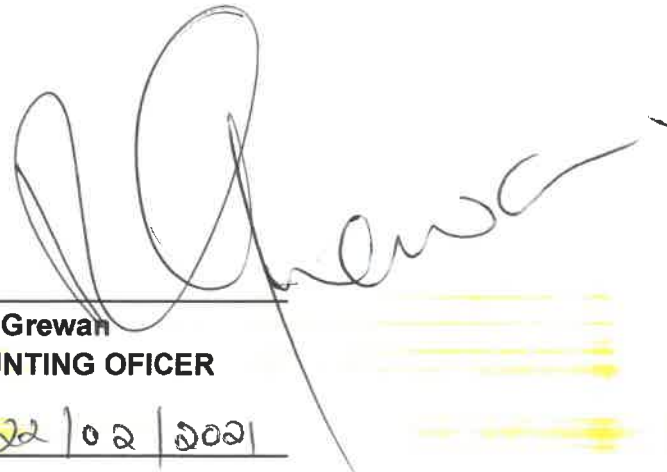
13. VIOLATION AND ENFORCEMENT

Violation of this policy may lead to disciplinary processes taken against the offender.

14. IMPLEMENTATION

The policy will be communicated throughout the Department by means of circulars, e-mails, and induction of new employees. The implementation plan will be developed to foster the implementation of Risk Management throughout the Department. The policy will be signed-off by the Head of Department as a commitment to its implementation and adherence thereto;

15. APPROVAL



Mrs. R Grewan
ACCOUNTING OFFICER

Date: 22 / 02 / 2021

