



# **RISK MANAGEMENT UNIT**

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# **RISK MANAGEMENT POLICY**



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## 1 PURPOSE

- 1.1 The purpose of this policy document is to provide guidance and direction to management and staff on the management of risks facing the Department. The Department is committed to the philosophy of effective risk management as a core managerial capability that is aligned to the principles of the King IV Report.
- 1.2 The objective of this policy is to provide guidance to the risk management function within the Department on how to:
  - Develop and implement risk management as an integral part of all departmental activities.
  - Identify and develop core responsibilities to identify and manage risk.

## 2. INTRODUCTION

- 2.1. In terms of section 38(a)(i) of the Public Finance Management Act, Act 1 of 1999, as amended, the Accounting Officer of the Department has the responsibility to ensure that the Department has and maintains as effective, efficient and transparent system of risk management.

This is further informed in the Treasury Regulations for departments, trading, entities, constitutional institution and public entities issued in terms of the Public Finance Management Act, 1999.
- 2.2. Paragraph 3.2.1 Treasury Regulations instructs the accounting officer to:
  - Ensure that a risk assessment is conducted regularly to identify emerging risks of the institution
  - Develop a risk management strategy, which must:
    - Include a fraud prevention plan;
    - Must be used to direct internal audit effort and priority;
    - To determine the skills required of managers and staff to improve controls;
    - To manage these risks; and
    - To clearly communicate the strategy to all officials to ensure that the risk management strategy is incorporated into the language and culture of the institution.



- 2.3 Enterprise risk management is designed to identify potential events that may significantly affect the Department's ability to achieve its strategic objectives or maintain its operations.
- 2.4 Risk is chance of an event, either positive or negative, that will have a significant impact on operations and/or the achievement of objectives. It is measured in terms of impact and likelihood.
- 2.5 Risk Management is defined as a continuous, proactive and *systematic process, effected by a department's executive authority, accounting officer, management and other personnel, and across the department, designed to identify potential events that may affect the department and manage risks to be within its risk tolerance, to provide reasonable assurance regarding the achievement of departmental objectives.*"
- 2.6 Risk Management is a central part of any organization's strategic management. It is the process whereby organizations methodically address the risks attached to their activities with the goal of achieving sustained benefit to all activities.
- 2.7 The focus of good risk management is the identification and treatment of these risks. The management of risks is a shared responsibility at all levels of the Department.
- 2.8 Risk management increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the Department's overall objectives. Risk management is a continuous and developing process which runs throughout the department's strategy and the implementation of that strategy. It should address methodically all the risks surrounding the Department's activities past, present and future.
- 2.9 Risk Management will be integrated into the culture of the Department with an effective policy and a programme led by the most senior management. It must translate the strategy into tactical and operational objectives, assigning responsibility throughout the Department with each manager and employee responsible for the management of risk as part of their job description. It supports accountability, performance measurement and reward, thus promoting operational efficiency at all levels.
- 2.10 The risks are documented and recorded in a risk register that reports to all participants and stakeholders of the process.



### 3. OBJECTIVE

3.1 The Department's objectives in managing risks include:

- Integrating risk management into culture and strategic decision-making of the Department.
- Apply robust risk management processes and best practices as part of a wider management system and demonstrating due diligence in strategic decision-making;
- Anticipating and responding to changing conditions in social, environmental and legislative conditions;
- Identifying threats to the achievement of objectives or review risks by the appropriate risk reduction and mitigation actions;
- Balancing the cost of managing risk with the anticipated benefits; and
- Educate and train managers in risk management and raise risk management awareness



#### 4. POLICY STATEMENT

- 4.1. The Department of Agriculture and Rural Development recognizes the need for risk management to feature as a consideration in the strategic and operational planning, day-to-day management and decision-making at all levels of the department. It is the responsibility of the Department to adopt a common approach to the management of risks. This approach involves a clearly stipulated strategy defining the risks that the Department is exposed to and the manner in which the risks shall be managed. The Department will identify and manage its risk in support of its vision, mission, goals and aims as set out in the strategic plan and its Annual Performance Plan.
- 4.2 The Department will promote the risk management language and culture in all sections of the department and aim to demonstrate quality improvement resulting from effective risk management.
- 4.3 All risk management efforts will be focused on supporting the Department's objectives. Equally, they must ensure compliance with the PFMA, other relevant legislation, and fulfil the requirements of the King III Report on Corporate Governance. This policy is based on the minimum requirements and best practices contained in the *COSO Enterprise Risk Management- Integrated Framework*, considered globally accepted best practice methodology guideline on the topic of risk management, and *National Treasury- Public Sector Risk Management Framework*, accepted within the South African Public Service as a definitive guideline and source of best practices on the topic of enterprise risk management in the public sector.
- 4.4 The Chief Risk Officer drives and oversees the implementation and monitoring of compliance to the policy by facilitating and coordinating the process of:
- Identifying risks
  - Reviewing and ranking of risks
  - Assigning responsibility to manage identified risks
  - Tracking and monitoring of risks; and
  - Reporting on the status of risk management initiatives to the Accounting Officer, Risk Management Committee and Audit Committee.
  - Raising risk management awareness



## 5. PRINCIPLES

- 5.1. Risk management is recognized as an integral part of responsible management and therefore, the department needs to adopt a comprehensive approach to the management of risk. The features of this process are outlined Risk Management Strategy.
- 5.2. It is expected that all components' operations and processes will be subject to the Risk Management Strategy. It is the intention that these components work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable
- 5.3. Risk management will be embedded in the strategic planning process of the Department.
- 5.4. As risk management is necessary for planning and decision-making, it will be embedded in all the decision making processes. Before a decision is taken, the risks it poses must be identified.
- 5.5. The Department's risk appetite and tolerance level must be determined by top management and be outlined in the Risk Management Strategy.
- 5.6. Personnel must be willing and able to take calculated risks to achieve the set objectives. The associated risks of proposed actions and decisions must be properly identified, evaluated and managed to ensure acceptable exposures.
- 5.7. The Department will conduct risk assessments in all areas of the department on an annual basis with a review, monitoring or re-assessment of the risks conducted on quarterly basis to ensure maximum mitigation thereof.
- 5.8. Risks will be owned and managed by the units where the risk resides.
- 5.9. This policy is subject to an annual review in line with the Public Sector Risk Management Framework.



## 6. LEGISLATIVE MANDATE

6.1 The PFMA, Treasury Regulations and King IV\_Report on Corporate Governance mandate the Department to develop a written policy on Risk Management.

In terms of section 38 of the Public Finance Management Act 1 of 1999, "The Accounting Officer must ensure that the departments has and maintains:

- (i) Effective, efficient and transparent systems of financial and risk management and internal control; and
- (ii) A system of internal audit under the control and direction of an audit committee.

6.2 Section 3.2.1 of the Treasury Regulations extends the above requirement as follows:

- (i) "The Accounting Authority must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution.
- (ii) A risk management strategy, including a fraud prevention plan, must be used to direct internal audit effort and priority and to determine the skills required of managers and staff to improve controls and to manage these risks.
- (iii) The strategy must be clearly communicated to all officials to ensure that the risk management strategy is incorporated into the language and culture of the institution."

## 7. RISK MANAGEMENT METHODOLOGY

7.1 The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed a framework that would be readily usable by management to evaluate and improve the department's enterprise risk management. This provided:

- Key principle and concepts;
- A common language; and;
- Clear direction and guidance.

7.2. The framework is geared to achieve the:

- Strategic - high level goals, aligned with and supporting its mission;
- Operating - effective and efficient use of its resources
- Reporting - reliability of reporting; and





- Compliance – compliance with applicable laws and regulations

7.3. Risk management shall arrange and organize workshops and or briefing sessions to all staff and stakeholders to raise awareness and information relating to good governance and risk management. This process will ensure the same level of understanding and encourage commitment amongst all staff. Everyone will be informed on what is regarded as risk and proper channels of reporting such risks.

Brochures, pamphlets and posters regarding risk management and other risk information should continuously be distributed to all employees for internal and external clients. Other internal modes of communication like staff communiqué and intranet will be utilized as another form of the awareness campaign.

Information communicated to stakeholders should be conveyed in a simple, plain language to ensure understanding and avoid ambiguity. Risk management shall ensure information regarding risks is shared at all levels, on a continuous basis. Communication will aim at raising awareness about the importance and relevance of effective risk management that strives to improve service delivery and sound good governance.

The purpose will be to ensure common risk language and advise personnel of their roles and responsibilities in effecting and supporting the process of risk management.

The process of communication shall be in the form of emails/ newsletter inserts/ workshops or to be conducted on a continuous basis. The Risk Management Unit will provide feedback on risk assessments or the status of risk at that period and how such risks are planned to be addressed.

#### **Documentation of risk assessment in decision-making**

The risk management processes aim to deal with events that have a potential to impede the achievement of target goals. The results/ findings of risk assessment shall be used by management to make decisions on how to deal with such risks before it can cause financial loss. Risk management shall ensure continuous feedback on progress in dealing with risks identified to keep everyone abreast of the Department's status



## 8. MONITORING

- 8.1 The Chief Risk Officer will monitor the effectiveness of risk mitigating strategies on a quarterly basis and record the progress on risk monitoring reports.
- 8.2 Annual Strategic, Operational, Fraud and Project risk assessments will be conducted. Identified risks will be monitored on a quarterly basis and the risk register will be updated if material changes are identified.
- 8.3 The Risk Management Committee will monitor implementation and effectiveness of the risk management function at least every quarter or monthly when necessary.
- 8.4 The Internal Audit unit will provide independent assurance on the effectiveness of risk management activities in line with their internal audit plan.

## 9. REPORTING

- 9.1 The Risk owners will submit monthly/quarterly reports on risk management activities in their units to the Chief Risk Officer. The Chief Risk Officer will also visit the units to conduct risk monitoring on identified risks.
- 9.2 The Chief Risk Officer will submit a quarterly report to the Risk Management Committee and Audit Committee, on risk management activities not limited to the following:
- What has been done to date to implement the control measures in different units,
  - The effectiveness of the control measure in addressing / eliminating / managing the identified risks.
  - Any new potential risks that may arise in different units.
  - To what extent a culture of risk management has been implemented in the department.
- 9.3 The Risk Management Committee will submit a quarterly report to the Accounting Officer that will outline the work performed by the committee in that specific quarter and must consider the responsibilities outlined in the Risk Management Committee Charter.



## 10. EVIDENCE OF COMPLIANCE

10.1 To demonstrate compliance to this policy, the following documentation will be prepared/presented :

- Risk Management Strategy
- Annual Risk Assessment Reports
- Risk Registers
- Risk Management Monitoring Reports
- Minutes of the Risk Committee meetings
- Reports and other correspondence on risk mitigation strategies
- Quarterly Key Control Matrix Reports
- Bi-Annual Provincial Treasury KPI Assessment Reports



## 11. ROLES AND RESPONSIBILITIES

### 11.1 Audit Committee

No.	Responsibility	Accountability	Frequency
1	To meet at least 4 times a year with risk management as a standard agenda item.	Chairperson	Quarterly
2	Monitor the Department's risk management process.	Chairperson	Annually
3	Assurance to EXCO management on the effectiveness of risk management	Chairperson	Continuous

### 11.2 Head of Department (HOD)/ Accounting Officer

No.	Responsibilities	Accountability	Frequency
1	Accountable for the total process of risk management in the Department, which includes: -Ensure that management has identified key business risks; -Assess the appropriateness of management responses to high priority risks. -Assess adequacy of assurance efforts by management, internal audit, and external audit and ensure that appropriate action is taken to address identified areas for improvement. -Keep abreast of changes to risk management and control systems; and -Ensure that risk profile is updated.	HOD with assistance of Executive Management	Continuous



2	Approve the Risk Management Policy	HOD with assistance of Risk Committee	Annually
3	Approve the Risk Management Strategy.	HOD with assistance of Risk Committee	Annually
4	Approve the Risk Management Implementation Plan	HOD with assistance of Risk Committee	Annually
5	Approve the Fraud Prevention Strategy and Plan.	HOD	Annually
6	Approve the Risk Assessment Reports	HOD with assistance of Executive Management	Annually
7	Approve/ Sign-off Risk Management Quarterly Reports	HOD	Quarterly
8	Make decisions on strategic risk issues.	HOD with assistance of Executive Management	Quarterly
9	Report to the Audit Committee on the management of risks	HOD with assistance of Executive Management	Quarterly
10	Provide stakeholders assurance on risk management	HOD with assistance of Executive Management.	Annually
11	Set the nature, role, reasonability and authority of risk management unit and outline scope of risk management work.	HOD with assistance of Executive Management	Continuous
12	Ensure appropriate action in respect of recommendations of the Audit Committee, Internal Audit, Risk Committee	HOD with assistance of Executive Management	Continuous



### 11.3 Chief Financial Officer (“CFO”)

No.	Responsibilities	Accountability	Frequency
1	Accountable to EMC for implementing and monitoring the process of risk management, and integrating it into the day-to-day activities of the Department.	HOD with the assistance of CFO / Executive managers	Continuous
2	Review of risk management progress.	HOD with assistance of CFO / Executive managers.	Quarterly
3	Submission of risk management reports, via the Risk Management Unit.	HOD with assistance of CFO / Executive managers.	Quarterly

**11.4. Risk Management Committee (RMC)**

<b>No.</b>	<b>Responsibilities</b>	<b>Accountability</b>	<b>Frequency</b>
1	Review and recommend for approval of Risk Management Policy	Risk Management Committee	Annually
2	Review and recommend for approval of Risk Management Strategy	Risk Management Committee	Annually
3	Review and recommend for approval of Risk Management Implementation Plan	Risk Management Committee	Annually
4	Review and recommend for approval of Risk Appetite	Risk Management Committee	Annually
5	Review the Strategic and Operational risk register	Risk Management Committee	Annually
6	Evaluate the effectiveness of the Risk Management Implementation Plan	Risk Management Committee	Quarterly
7	Evaluate the effectiveness of the mitigating strategies/ corrective action to address the risks identified	Risk Management Committee	Quarterly
8	Develop KPI's for approval by the Accounting Officer	Risk Management Committee	Annually
9	Provide reports to Accounting Officer on the effectiveness of Risk Management	Risk Management Committee	Quarterly
10	Provide reports to Audit Committee on the effectiveness of Risk Management	Risk Management Committee	Quarterly



### 11.5 Management

No.	Responsibilities	Accountability	Frequency
1	Monitor, control and report on risk under their control in line with the risk management	Managers	Continuous
2	Report on risk management within the directorates at Risk Management Committee	Managers	Quarterly
3	Appoint Risk Champions	HOD with assistance from managers	Annually
4	Ensure that controls lying in order units that affect own unit are discussed.	Managers	Monthly

### 11.6 Risk Champions

No.	Responsibility	Accountability	Frequency
1	Assist in facilitating directorate risk awareness programmes.	Managers with assistance of Risk Champions	Ad hoc
2	Act as first contact at directorates level in risk related issue,	Managers with assistance of Risk Champions	Continuous
3	Ensure risk management is a standard idea on the agenda of monthly meetings.	Managers with assistance of Risk Champions.	Monthly
4	Assist in the process of risk identification and evaluation	Managers with assistance of Risk Champions	Ad hoc
5	Assist in the process of risk ownership allocation.	Managers with assistance of Risk Champions	Ad hoc
6	Administered risk management in the Directorates; -Update or risk register on the status of action plans and dates; and -Draw reports as required by management	Managers with assistance of Risk Champions	Monthly
7	Assist the risk manager / internal auditor in facilitating and co-ordinating annual risk assessment and quarterly risk management reviews within the directorates.	Managers with assistance of Risk Champions	Annually



**11.7 Chief Risk Officer**

<b>No.</b>	<b>Responsibilities</b>	<b>Accountability</b>	<b>Frequency</b>
1	Facilitating the development communication, coordination and monitoring of risk management within the Department.	Chief Risk Officer	Continuous
2	Develop and implement a plan to integrate risk management into day-to-day operations of the Department	Chief Risk Officer	Continuous
3	Develop and roll-out ongoing risk awareness programmes throughout the Department	Chief Risk Officer	Continuous
4	Establish and maintain risk management policies and procedures and ensure compliance	Chief Risk Officer	Continuous
5	Maintain and regularly update the risk register	Chief Risk Officer	Continuous
6	Develop risk related performance measures and indicators	Chief Risk Officer	Continuous
7	Report to Executive Management and Audit Committee on proposed changes to the risk profile.	Chief Risk Officer	Continuous
8	Report quarterly EM and Audit Committee on the progress of risk management within the Department.	Chief Risk Officer	Continuous
9	Provide strategic direction and to the Department on risk management.	Chief Risk Officer	Continuous
10	Develop standard risk management reporting templates, and collate risk management information for submission at all levels.	Chief Risk Officer	Continuous
11	Facilitate annual risk assessment prepare annual risk assessment report.	Chief Risk Officer	Annually
12	Perform specific risk assessments on request by management.	Chief Risk Officer	Continuous
13	Provide support to directorates.	Chief Risk Officer	Continuous



### 11.8 Internal Audit

No.	Responsibility	Accountability	Frequency
1	Utilize risk assessment report to compile its strategic and operational audit plans	Internal Audit	Annually
2	Facilitate annual risk assessment with risk manager and prepare annual risk assessment report.	Internal Audit	Annually
3	Formally review the effectiveness of risk management processes	Internal Audit	Annually

### 12. NON-COMPLIANCE TO THE POLICY

The Policy is applicable to all officials of the department. Non-compliance pertaining to responsibilities in the Risk Management Policy linked to the performance agreements of officials will result in disciplinary action instituted against the officials by the Head of Department.



### **13. REVIEW OF THE POLICY**

This policy and underlying strategies will be reviewed at least annually to ensure its continued application and relevance. Amendments will, as soon as reasonably possible, be submitted for approval and brought to the attention of all users.



#### 14. RECOMMENDATION AND APPROVAL

It is hereby recommended that approval for the reviewed Risk Management Policy be granted to provide guidance to the risk management function within the department on how to develop and implement risk management as an integral part of all departmental activities as well as identifying and developing core capabilities to identify and manage risks.

Reviewed By:

MS. T CRISP  
CHIEF RISK OFFICER

DATE: 26/03/2018

The Risk Management Committee has reviewed and recommends the approval of this Reviewed Risk Management Policy.

MR. D. NKAISENG  
CHAIRPERSON: RISK MANAGEMENT COMMITTEE

DATE: 27/05/2018

The Head of Department has reviewed and approves this Reviewed Risk Management Policy.

MR. MP THABETHE  
HEAD OF DEPARTMENT

DATE: 29/03/2018