



social development

Department:  
Social Development  
PROVINCE OF KWAZULU-NATAL

# RISK MANAGEMENT POLICY

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## 1. DEFINITIONS AND ACRONYMS

For the purpose of this Policy:

- 1.1 **“Accounting Officer”** means the Head of Department.
- 1.2 **“Chief Risk Officer”** means a senior official who is the head of the Risk Management Unit.
- 1.3 **“Framework”** means the Public Sector Risk Management Framework.
- 1.4 **“Risk”** means the uncertainty of an event occurring that could have an impact on the achievement of objectives.
- 1.5 **“Entity Wide-Risk Management”** means a systematic and formalized process to identify, assess, manage and monitor risks.
- 1.6 **“King 1V”** means The King Code on Corporate Governance for South Africa, 2016.
- 1.7 **“PFMA”** means Public Finance Management Act 1 of 1999 as amended.
- 1.8 **“Inherent risk”** means exposure arising from risk factors in the absence of deliberate management interventions to exercise control over such factors.
- 1.9 **“Executive Management Committee”** means the Executive Committee of the Department.
- 1.10 **“Risk Appetite”** means the amount of residual risk that the Department is willing to accept.
- 1.11 **“Risk Tolerance”** means the amount of risk that the Department is capable of bearing.
- 1.12 **“Risk Champion”** means a person by virtue of his / her expertise or authority champions a particular aspect of the risk management process, but who is not a risk owner.
- 1.13 **“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.
- 1.14 **“Other Official”** means an employee other than the Accounting Officer, Management, Chief Risk Officer and officials in the Risk Management Unit.

- 1.15 ***“Risk Culture”*** means the norms of behavior for individuals and groups within the organization that determine the collective ability to identify and understand, openly discuss and act on the organization’s current and future risks.
- 1.16 ***“Risk Management Committee”*** means a risk management committee of the Department appointed by the Accounting Officer.
- 1.17 ***“Risk Champions Committee”*** means a sub – committee to the Risk Management Committee appointed by the Accounting Officer to review the department’s system of risk management by bringing in their expertise.
- 1.18 ***“Triple Context”*** – refers to the economic, social and environmental issues
- 1.19 ***“Risk Owner”*** means a person accountable for managing a particular risk

## **2. INTRODUCTION**

The Department is committed to a process of risk management that is aligned to the principles of good corporate governance, as supported by section 38(a)(i) of Public Finance Management Act, which instructs the Accounting Officer to ensure that the Department has and maintains effective, efficient and transparent system of financial and risk management.

## **3. PURPOSE**

The purpose of this Policy is to: -

- a) Provide for the Department's adoption of an entity-wide risk management approach, as risk management is recognised as an integral part of responsible management; and
- b) Provide guidelines on implementation of risk management standards and best practices

## **4. OBJECTIVE**

The objective of this Policy is to promote and maintain a culture of risk awareness and control environment in the Department.

## **5. SCOPE OF APPLICABILITY**

This Policy is applicable to all employees of the Department.

## **6. LEGISLATIVE FRAMEWORK**

The mandate for this Policy is derived from the following:

- a) Public Finance Management Act, Act 1 of 1999 as amended
- b) The Public Sector Risk Management Framework
- c) Treasury Regulations
- d) The King Code on Corporate Governance for South Africa, 2016.

## **7. POLICY PROVISIONS**

### **7.1 Policy Statement**

Risk Management is recognized as an integral part of responsible management and the Department therefore adopts an Entity –Wide Risk Management approach to the management of risks, therefore key risks in each part of the Department will be dealt with, in a structured and systematic process of risk management. The features of this process will be outlined in the Department's Risk Management Strategy.

All risk management efforts will be focused on supporting the Department's objectives, ensure compliance with relevant legislation, and fulfill expectations of employees, communities and other stakeholders in terms of corporate governance.

### **7.2 Risk Management Strategy**

The attitude of the Department towards implementation of risk management is to fulfil paragraph 3.2.1 of the Treasury Regulations which requires the Head of Department to ensure that risk assessment is conducted regularly to identify emerging risks in the Department.

A risk management strategy, which includes a fraud prevention plan, must be developed and used to direct internal audit efforts and priority, and to determine the skills required of managers and staff to improve controls and to manage risks.

The strategy must be clearly communicated to all employees to ensure that risk management strategy is incorporated into the language and culture of the Department

The Risk Management Strategy should acknowledge the limitations of the Department's resources to deal with risk treatments, and identification of risks should acknowledge limited fund to immediately change how all risks are currently managed.

### **7.3 Risk Management and Internal Control Objective**

The successful realization of the strategic objectives of the Department depends on being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders, therefore, sound management of risks will enable the Department to anticipate and respond to changes in service delivery environment, as well as make informed decisions under conditions of uncertainty.

### **7.4 Risk Aware Culture and Control Environment**

Executive Management Committee must exercise an ongoing oversight of risk management and, in particular, oversee that it results in integration and embedding of risk management in the business activities of the Department

### **7.5 Risk Appetite**

Executive Management Committee must evaluate and agree on the nature and extent of the risks the Department is willing to take in pursuit of its objectives by approving:

- a) Department's risk appetite; and
- b) The limit of potential loss that the Department has the capacity to tolerate.

### **7.6 Risk Architecture**

The Department must establish risk management as part of a control mechanism (amongst other management controls). This shall be achieved through establishing risk management structure with clearly defined roles and responsibilities. as follows:

- a) Accounting Officer
- b) Chief Risk Officer
- c) Risk Management Unit
- d) Risk Management Committee
- e) Risk Champions Committee
- f) Independent Service Providers

## **7.7 Information Technology**

In exercising its ongoing oversight on risk management, the Executive Management Committee must:

- a) exercise an ongoing oversight of technology and information management and in particular, oversee that it results in the integration of Technology and Information risks into the organization-wide risk management;
- b) ensure that ICT risks are managed within the departmental risk management practice, and
- c) that the ICT function is audited as part of the internal audit operation plan.

## **7.8 Business Continuity Management**

- (a) The Executive Management Committee must exercise ongoing oversight on risk management and, in particular, oversee that it results in the establishment and implementation of business continuity arrangements, that allow the Department to operate under conditions of volatility, and to withstand and recover from acute shock.
- (b) Business Continuity arrangement must be clearly outlined in the Business Continuity Management System.

## **7.9 Risk Assessment Process**

In exercising its ongoing oversight on risk management, the EXCO must:

- (a) Assess risks and opportunities emanating from the triple context in which the organisation operates and the capitals that the Department uses and affects; and
- (b) An assessment of opportunity, presented by risks with potentially negative effects on the achievement of the Department's objectives.

## **7.10 Risk Protocols**

In exercising its ongoing oversight on risk management, the EXCO must ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.

The view on the effectiveness of the risk management process should be disclosed in the annual report. The Executive Management Committee should regularly receive and review a register of the department's key risks



## 7.11 Risk Response and Control Mechanisms

### 7.11.1 Risk Response

In exercising its ongoing oversight on risk management, the EXCO must exercise ongoing oversight on risk management and, in particular, oversee that it results in the design of appropriate and implementation risk responses

The Department must respond to the identified risks with any of the following response options, bearing that neither are they all suitable in all circumstances:

- a) **Tolerate the Risk-**: Accept the level of risk inherent to an event and continue to pursue objectives.
- b) **Transfer Risk-**: Avoid this specific risk by deciding not to continue the activity that gives rise to the risk exposure.
- c) **Treat Risk-**: Continue with the objective, influence the likelihood, impact and source of the risk.
- d) **Exploit opportunities-**: The Department may allocate additional resources to exploit and benefit from uncertainty.

### 7.11.2 Types of Controls

The Department must use the following controls:

- a) **Preventative Controls-**: the effort required to prevent a risk from occurring can be significantly lower than dealing with the consequences, i.e. Departmental Risk Culture, Departmental Risk Register
- b) **Detective Controls-**: identify events that have already happened allowing the department to institute mitigating strategies to reduce further deviation, i.e. Departmental Risk Register/Risk Assessments, Internal Audit and Investigations
- c) **Corrective Controls-**: either minimize harm or optimize benefits by enabling continued operations and maintain continuity in service delivery, i.e. Risk Management Strategies

### 7.11.3 Mechanisms of Controls

The Department must use the following mechanisms:

- a) **Engineering Controls**:- physical and non-physical systems in place designed to function within specific constraints, i.e. ICT.
- b) **Management Controls**:- systems, processes and policies in place that assist the department to function according to its operating model, i.e. ICT, Financial Reporting, Risk Management, SOPs, Governance and Compliance.
- c) **Administrative Controls**:- monitoring controls that ensures that policies, processes and systems are being implemented effectively.

### 7.11.4 Risk Management Training

To embed risk awareness culture within the Department, risk management must be incorporated at all levels through provision of training and other means on relevant subjects.

## 7.12 Monitoring and Benchmarking of Risks

### 7.12.1 Monitoring

The Executive Management Committee should ensure:

- (a) Continuous risk monitoring by management and;
- (b) The responsibility for monitoring should be defined in the risk management plan i.e. risk owner, action owner, timeframe, status on the implementation of treatment strategy.

### 7.12.2 Benchmarking of Risks

The Department may use the benchmarking approach to compare management of risks with other institutions that represent the very best performance in risk management. The Department may use the following steps when developing benchmarks:

- a) Determine what to benchmark;
- b) Form a benchmark team;

- c) Identify benchmarking partners;
- d) Collect and analyse benchmarking information and
- e) Take action to match or exceed the benchmark.

### **7.13 Allocation of Appropriate Resources to Risk Management**

The Department subscribes to the fundamental principles that all resources will be applied economically to ensure:

- a) The highest standards of service delivery;
- b) A management system containing the appropriate elements aimed at minimising risks and related costs in the interest of all stakeholders;
- c) Education and training of all employees to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholder's expectations; and
- d) Maintaining an environment that promotes the right attitude and sensitivity towards internal and external customer satisfaction.

### **7.14 Risk Management Activities and Priorities for the Ensuing Year**

The Executive Management Committee must ensure that it recommends policies and operational plans developed by management to give effect to the approved strategy.

Risk Management activities should be outlined in the Departmental Risk Management Strategy, Risk Management Implementation Plan and Annual Operational Plan.

## **8 ROLES AND RESPONSIBILITIES**

### **8.1 Accounting Officer**

The Accounting Officer is responsible for: -

- a) The Department's overall governance of risks;

- b) Setting an appropriate tone by supporting and being seen to be supporting the department's aspirations for effective management of risks;
- c) Delegating responsibilities for risk management to management and internal formations, such as the Risk Management Committee, Fraud Prevention Committee, Finance Committee and Information and Communication Technology Committee;
- d) Holding management accountable for designing, implementation, monitoring and integrating risk management into their day to day activities;
- e) Accountable for Departmental performance in terms risk management;
- f) Providing leadership and guidance to enable management and internal structures responsible for various aspects of Risk Management, to properly perform their functions;
- g) Ensuring that the control environment supports effective functioning of Risk Management;
- h) Approving the Risk Management Policy, Strategy and Implementation Plan;
- i) Approving the Fraud Prevention Policy, Strategy and Implementation Plan;
- j) Approving Risk Appetite and Risk Tolerance;
- k) Overseeing management of significant risks;
- l) Leveraging the Audit Committee, Internal Audit, External Audit and Audit and Risk Management Committee for assurance on the effectiveness of risk management;
- m) Ensuring implementation appropriate action in respect of recommendations of the Audit Committee, Internal Audit, external Audit and Risk Management Committee to improve risk management and
- n) Providing assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated.

## **8.2 Chief Risk Officer**

The Chief Risk Officer is responsible for: -

- a) Bringing to bear his/her specialist expertise to assist the Department to embed risk management and leverage its benefits to enhance performance;
- b) Working with Senior Management to develop the Department's vision for risk management;
- c) Developing Risk Management Framework, in consultation with management.
- d) communicating risk management framework to all stakeholders in the department and monitoring its implementation;
- e) Facilitating, orientating and training of Risk Management Committee;
- f) Training all stakeholders in their risk management functions;
- g) Continuously driving Risk Management to higher levels of maturity;
- h) Assisting management with risk identification, assessment and development of response strategies;
- i) Monitoring the implementation of response strategies;
- j) Collating, aggregating, interpreting and analysing the results of risk assessments to extract risk intelligence;
- k) Reporting risk intelligence to the Accounting Officer and Risk Management Committee and
- l) Participating in the development of combined assurance plan for the Department.

## **8.3 Risk Management Committee**

Risk Management Committee is responsible for: -

- a) Reviewing and recommending for approval of the Accounting Officer, Risk Management Policy, Strategy, Implementation Plan, risk appetite and risk tolerance levels;
- b) Evaluating the extent and effectiveness of integration of risk management within the Department;
- c) Assessing implementation of the Risk Management Policy and Strategy including the Plan;

- d) Evaluating effectiveness of the mitigating strategies implemented to address the material risks;
- e) Reviewing material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;
- f) Developing its own key performance indicators for approval by the Accounting Officer;
- g) Interacting with the Audit Committee to share information relating to material risks of the Department and
- h) Providing timely and useful reports to the Accounting Officer on the state of risk management, together with accompanying recommendations to address any deficiencies identified by the Committee.

#### **8.4 Risk Champions' Committee**

Risk Champions' Committee is responsible for: -

- a) Providing guidance and support to manage "problematic" risks of a transversal nature that require multiple participant approach;
- b) Intervening in instances where risk management is hampered;
- c) Evaluating action plans in response to identified risks;
- d) Overseeing management of key risks in the departmental risk register within each risk champion's area of responsibility and
- e) Maintaining a co-operative relation with the Chief Risk Officer and Risk Management Unit of the Department.

#### **8.5 Management Responsibility**

Management is responsible for: -

- a) Executing responsibilities outlined in the Risk Management Strategy and for integrating risk management into the operational routines;

- b) Empowering employees to perform effectively in their risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;
- c) Aligning the functional risk management methodologies and processes with the Departmental process;
- d) Overseeing management of key risks within their area of responsibility;
- e) Maintaining a cooperative relationship with Risk Management Unit and Risk Champion;
- f) Providing risk management reports;
- g) Maintaining proper functioning of the control environment within their area of responsibility;
- h) Monitoring risk management within their area of responsibility and
- i) Holding employees accountable for their specific risk management responsibilities.

#### **8.6 Other Officials**

Other officials are responsible for: -

- a) Integrating risk management into their day to day activities.
- b) Applying risk management processes in their respective functions.
- c) Implementing the delegated action plans to address the identified risks.
- d) Informing their supervisors and / or Risk Management Unit of new and significant changes in known risks.
- e) Co-operating with other role players in risk management process and providing information as required.

#### **8.7 Risk Champions**

Risk Champions are responsible for: -

- a) Intervening in instances where the risk management efforts are hampered;

- b) Add value to risk management processes by providing guidance and support to manage “problematic” risks and risks of a transversal nature that requires a multiple participants approach and
- c) Assisting the risk owner to resolve problems in areas of specialized knowledge.

## **8.8 Independent Assurance Providers**

Department may engage the services of *Independent Assurance Providers* to provide an independent assurance to management on certain aspects of risk management.

## **9. NON-COMPLIANCE**

An employee who fails to comply to this Policy shall be guilty of an act of misconduct.

## **10. MONITORING, EVALUATION AND REVIEW**

The Risk Management Unit is responsible for communicating the provisions of this Policy to all employees; and the Policy will be monitored, evaluated and reviewed after three years or as and when the need arises.

## **11. EFFECTIVE DATE**

This policy will be effective on the date of approval.

## **12. TITLE OF THE POLICY**

This policy shall be called Risk Management Policy.

## **13. POLICY APPROVAL**

This policy is approved with effect from the 11<sup>th</sup> day of September in the year 2017.



**Ms NG Khanyile**

**Head of Department:**

**Department of Social Development**