



**North West  
Department of Finance**

Risk Management Policy  
**July 2013**



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## **Preamble**

Risk Management in the past has not received adequate attention. This originates from the fact that previous government administration was based on a rule-bound approach, a hierarchical system of management and weak accountability. However, with the introduction of the Public Finance Management Act (PFMA), Act 1 of 1999, the foundation has been laid for a more effective corporate governance frameworks as well as accountable financial management system for the public service. The Act has established the legal framework for risk management in the public service.

National Treasury with the assistance of the Public Services Commission developed as risk management guideline document, designed to provide a robust methodology for risk assessment.

Risk management processes and responsibilities are incorporated in the list of responsibilities allocated to the Accounting Officer. However, these responsibilities are extended to all managers in terms of the provisions of the PFMA. It establishes accountability for Risk Management at all levels of management and thus becomes everybody's responsibility.



## **1. Introduction**

The Head of Department has committed the Department of Finance to a process of risk management that is aligned to the principles of good corporate governance, as supported by the Public Finance Management Act (PFMA), Act 1 of 1999 as amended by Act 29 of 1999.

## **2. Risk and Risk Management**

Risk refers to 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. Such opportunities are encompassed in this definition of risk.

Risk management is a systematic and formalised process instituted by the department to identify, assess, manage and monitor risks.

## **3. Benefits of Risk Management**

The Department of Finance implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management will assist the department to achieve, among other things, the following outcomes needed to underpin and enhance performance:

- more sustainable and reliable delivery of services;
- informed decisions underpinned by appropriate rigour and analysis;
- innovation;
- reduced waste and losses;
- prevention of fraud and corruption;
- better value for money through more efficient use of resources; and
- better outputs and outcomes through improved project and programme management.

## **4. Purpose of the Policy**

The purpose of this Policy is to articulate the Provincial Treasury's risk management philosophy. The Department of Finance recognizes that risk management is a systematic and formalized process to identify, assess, manage and monitor risks and therefore adopts a comprehensive approach to the management of risk.



## **5. Scope of the Policy**

This policy applies throughout the department in as far as risk management is concerned.

## **6. The Policy**

The realisation of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk will enable us to anticipate and respond to changes in our service delivery environment, as well as take informed decisions under conditions of uncertainty.

We subscribe to the fundamental principles that all resources will be applied economically to ensure:

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

An entity-wide approach to risk management is adopted by the Department of Finance, which means that every key risk in each part of the department will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the department's systems and processes, ensuring that our responses to risks remain current and dynamic. All risk management efforts will be focused on supporting the departmental objectives. Equally, they must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

## **7. Role players**

Every employee is responsible for executing risk management processes and adhering to risk management procedures laid down by the department's management in their areas of responsibilities.

### **7.1 Risk Management Oversight**

#### **7.1.1 Executive Authority**

The Executive Authority takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the department against significant risks.



### **7.1.2 Audit Committee**

The Audit Committee is an independent committee responsible for oversight of the department's control, governance and risk management. The responsibilities of the Audit Committee with regard to risk management are formally defined in its charter. The Audit Committee provides an independent and objective view of the department's risk management effectiveness.

### **7.1.3 Risk Management Committee**

The Risk Management Committee is appointed by the Head of Department/ Authority to assist them to discharge their responsibilities for risk management. The Committee's role is to review the risk management progress and maturity of the department, the effectiveness of risk management activities, the key risks facing the department, and the responses to address these key risks. The responsibilities of the Risk Management Committee are formally defined in its charter.

## **7.2 Risk Management Implementers**

### **7.2.1 Accounting Officer**

The Head of Department is the ultimate Chief Risk Officer of the department and is accountable for the department's overall governance of risk.

By setting the tone at the top, the Head of Department promotes accountability, integrity and other factors that will create a positive control environment.

### **7.2.2 Management**

Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management into the operational routines. Risk management should form part of the KRA's of management as per EXCO resolution.

### **7.2.3 Other Officials**

Other officials are responsible for integrating risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

## **7.3 Risk Management Support**

### **7.3.1 Chief Risk Officer**

The Chief Risk Officer is the custodian of the Risk Management Strategy, and coordinator of risk management activities throughout the department. The primary responsibility of the Chief Risk Officer is to bring to bear his/her specialist expertise to assist the department to embed risk management and leverage its benefits to enhance performance.



### **7.3.2 Risk Champion**

The Risk Champion's responsibility involves intervening 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 departmental skills and expertise.

## **7.4 Risk Management Assurance Providers**

### **7.4.1 Internal Audit**

The role of the Internal Auditing in risk management is to provide an independent, objective assurance on the effectiveness of the department's system of risk management. Internal Audit must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

### **7.4.2 External Audit**

The external auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management.

An entity-wide approach to risk management will be adopted by the Provincial Treasury, which means that every key risk in each part of the Department of Finance will be included in a structured and systematic process of risk management.

It is expected that the risk management processes will become embedded into the Provincial Treasury's systems and processes, ensuring that our responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the Provincial Treasury's objectives. Equally, they must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

## **8. Policy Review**

- This Policy shall be reviewed annually to reflect the current stance on risk management within the department.
- 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.

## **9. Communication**

The policy will be communicated throughout the department by means posting it on departmental website and the provincial intranet for ease of accessibility by departmental staff.





## **Adoption and Approval of the Risk Management Policy**

**Adopted by:**

\_\_\_\_\_  
**G.Paul**  
Chairperson: RMC

\_\_\_\_\_  
**Date**

**Approved by:**

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**N.I. Kunene**  
Acting HoD for Finance

\_\_\_\_\_  
**Date**



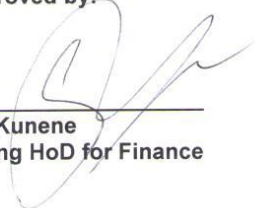
**Adoption and Approval of the Risk Management Policy**

**Adopted by:**

  
\_\_\_\_\_  
**G. Paul**  
**Chairperson: RMC**

23/7/2013  
**Date**

**Approved by:**

  
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**N.I. Kunene**  
**Acting HoD for Finance**

10/07/2013  
**Date**

