



**LIMPOPO**

PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

**DEPARTMENT OF  
ROADS & TRANSPORT**

**RISK MANAGEMENT POLICY**

## TABLE OF CONTENTS

	PAGES
<b>GLOSSARY</b>	3
1. Preamble	5
2. Purpose	5
3. Policy Objectives	6
4. Legal Framework	6
5. Policy Statement	7
6. Policy Pronouncements	8
7. Roles and Responsibilities	9
8. Education and Awareness on Risk Management	12
9. Risk Management Process	13
10. Risk Assessment	14
11. Independent Assurance of the Risk Management Process	20
12. Implementation Date	20
13. Policy Review	21

## GLOSSARY

- **Accounting Officer-** Head of Department
- **Chief Risk Officer (CRO)** - an employee with the designation of CRO; and/ or an employee with the delegated responsibilities of a CRO. The Senior Manager: Compliance and Risk Management is the CRO.
- **Department** – means Limpopo Department of Roads and Transport
- **Enterprise Risk Management (ERM)-** is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives
- **Executive Authority-** a member of the Executive Council of a Province who is accountable to the Provincial Legislature.
- **Management-**General Manager, Senior Management, Divisional Manager, process owners, Section Heads
- **Other personnel-** employees within the Institution with non-specific risk management responsibilities.
- **Risk-** A risk is any threat or event that is currently occurring, or that has a reasonable chance of occurring in the future, which could undermine the institution's pursuit of its goals and objectives. It manifests as negative impacts on goals and objectives or as missed opportunities to enhance institutional performance.
- **Risk assessment-** Identified risks are analyzed in order to form a basis for determining how they should be managed. Risks are associated with objectives that may be affected. Risks are assessed on both an inherent and a residual basis, with the assessment considering both risk likelihood and impact.
- **Risk Champion-**usually an existing member of the senior management corps within the institution.

- **Risk Management Committee-** an oversight Committee responsible to the Accounting Officer for the monitoring of risk management constituted of both independent members and management.
- **Risk Management-** It is a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on the institution's service delivery capacity.

## **1. Preamble**

Risk Management is central part of any organisation's strategic management. It is the process whereby organizations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

The focus of Risk Management is the identification and treatment of these risks. Its objective is to add maximum sustainable value to all the activities of the organization. It marshals the understanding of the potential upside and downside of all those factors which can affect the organization. It increases the probability of success, and reduces both the probability of failure and uncertainty of achieving the organization's overall objectives.

Risk Management should be a continuous and developing process which runs throughout the organization's strategy and the implementation of that strategy. It should address methodically all the risks surrounding the organization's past activities, present and in particular, future.

It must be integrated into the culture of the organization with an effective strategy and a program led by most senior management. It must translate the strategy into tactical and operational objectives, assigning responsibility throughout the organization 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. Purpose**

This policy is a formal acknowledgement of the commitment of the Department to risk management. The aim of the policy is not to have risk eliminated completely from the department's activities, but rather to ensure that every effort is made by the department to manage risk appropriately to maximise potential opportunities and minimize the adverse effects of risk.

### **3. Policy Objectives**

- 3.1. To confirm and communicate the Department's commitment to Risk Management, to assist in achieving its Medium Term Strategic Framework priorities.
- 3.2. To formalize and communicate a consistent approach to managing risk for all programs activities and to establish a reporting protocol.
- 3.3. To ensure that all significant risks to the Department are identified, assessed and where necessary treated and reported to the Accounting Officer in a timely manner through the Risk Management Committee or Audit Committee.
- 3.4. To assign accountability to all staff for the management of risks within their areas of control.
- 3.5. To provide a commitment to staff that Risk Management is a core management capability.

### **4. Legal Framework**

- 4.1. Public Finance Management Act of 1999, Section 38 (a) (i)
- 4.2. Section 3.2.1 of Treasury Regulations
- 4.3. Policy strategy to guide uniformity in procurement process in government.
- 4.4. Preferential Procurement Policy Framework Act No 2 of 2000 (PPPFA) guidelines and Regulations
- 4.5. Public Finance Management Act 1999 (Act 1 of 1999) and Treasury regulations as amended
- 4.6. Other guides and Regulations that regulate the procurement processes as prescribed by or issued by National and Provincial Treasury
- 4.7. Roads Traffic Act (Act 29 of 1989) as amended and Regulations
- 4.8. Roads Transportation Act (Act 74 of 1977) as amended and Regulations
- 4.9. The Petroleum Products Act (Act 120 of 1977) as amended and Regulations
- 4.10 Occupational Health and Safety Act (Act 85 of 1993) as amended
- 4.11 Criminal Procedure Act (Act 51 of 1977) as amended.
- 4.12 Transport Policy as issued by National Department of Transport.

## 5. Policy Statement

This policy is issued in terms of Section 38 (1) (a) (i) of the Public Finance Management Act of 1999 (Act 1 of 1999) as amended which stipulates that ***'The Accounting Officer for a Department, trading entity or constitutional institution must ensure that the department, trading entity, or constitutional institution has and maintains effective, efficient and transparent systems of financial, risk management and internal controls.'***

The Department considers Risk Management to be fundamental to good management practice and a significant aspect of corporate governance. Effective management of risk will provide an essential contribution towards the achievement of the Medium Term Strategic Framework Priorities.

Risk Management must be integral part of the institutions' decision making and routine management, and must be incorporated within the strategic and operational planning process at all levels across the department.

Risk assessments must be conducted on new ventures and activities, including projects, processes, systems and commercial activities to ensure that these are aligned with the institutions' objectives and goals. Any risk or opportunities arising from these assessments will be identified, analysed and reported to the appropriate management level. The Department shall maintain strategic and operational risk registers.

The Department shall ensure that all staff, particularly the program managers and strategic business units are provided with adequate guidance and training on the principles of Risk Management and their responsibilities to implement risk management effectively.

## **6. Policy Pronouncements**

### **6.1 Principles**

In all business areas, management will carry out risk assessments regularly, record the findings and take appropriate management actions in a timely manner. Risk reviews will specifically address strategic, operational, financial and reputational risks as well as risks covered by Health and Safety and Environmental Protection legislation.

In particular, the following activities will be undertaken:-

- 6.1.1 Early identification of emerging risks and initiation of risk reduction or mitigation action.
- 6.1.2. Preparation of contingency plans for high risks
- 6.1.3. Regular review and update of risk register.
- 6.1.4. Comprehensive risk assessment performed during proposal development and other major projects.
- 6.1.5 Integrated contract and Risk Management process.

Where appropriate, management may need to consider specialist advice for areas such as:-

- 6.1.6 Health and safety
- 6.1.7 Fire and security
- 6.1.8 Disaster recovery
- 6.1.9 Safety-critical systems and operations
- 6.1.10 Insurance
- 6.1.11 Media/ public relations
- 6.1.12 Design/ development of safety critical system and software
- 6.1.13 Civil engineering design, etc



## **7. Roles and Responsibilities**

Managing risks is the ultimate responsibility of the Accounting Officer in terms of Section 38 of the PFMA. This responsibility is delegated to management and, appropriate to their levels, to each employee in the Department. However, in order for Enterprise Risk Management to become embedded in the way the Department execute its business activities, an Enterprise Risk Management structure shall be established within Department. The Risk Management effort of all Chief Directorates, Directorates and Sub-Directorates should be consolidated, co-ordinated, monitored, and reports appropriately prepared for submission to the Accounting Officer.

### **7.1 Implementation Role**

#### **7.1.1 Accounting Officer**

The Accounting Officer is ultimately responsible for Risk Management within the institution. The Accounting Officer shall approve the Risk Management policy and strategy and provide leadership and guidance for their implementation.

The Accounting officer shall carry his/her duties as prescribed by Provincial Risk Management Framework.

#### **7.1.2 Management**

King III report on Corporate Governance, Principle 4.2 states that 'The management should be responsible for the implementation of the Risk Management processes'.

Management owns the risks, thus taking ownership for management of institutional risks.

Management shall be responsible for implementing the policy, monitoring its implementation and integrating the principles of risk management in the everyday activities of their operations.

Senior Management shall carry their duties as prescribed by Provincial Risk Management Framework and in terms of Principle 4.2 of King III report on Corporate Governance.

### **7.1.3 Other personnel**

King III report on Corporate Governance, Principle 4.3 states that 'Risk Management should be practiced by all staff in their day-to-day activities'

Other staff members shall be accountable to line management to integrate the principles of Risk Management into their daily routines to enhance the achievement of their functional objectives.

Staff members shall carry out their duties as prescribed by Provincial Risk Management Framework and in terms of Principle 4.3 of King III report on Corporate Governance.

## **7.2 Support Role**

### **7.2.1 Chief Risk Officer**

The Chief Risk Officer (CRO) plays a vital communication link between operational level management, Senior Management, Risk Management Committee and other relevant committees.

The CRO shall provide specialists expertise in providing a comprehensive support service to ensure systematic, uniform and effective Enterprise Risk Management (ERM).

The CRO shall be custodian of the ERM Framework, the co-ordinator of the Risk Management throughout the institution and the institutional advisor on all Risk Management matters.

The Chief Risk Officer (CRO) shall carry his or her duties as prescribed by Provincial Risk Management Framework.

## 7.3 Oversight role

### 7.3.1 Executive Authority

The Executive Authority is accountable to the legislature in terms of the achievement of the goals and objectives of the institution. In this context the Executive Authority should take interest in ERM to the extent necessary to obtain comfort, that properly established and functioning systems of Risk Management are in place to protect the institution.

The Executive Authority shall carry out his /her duties as prescribed by Provincial Risk Management Framework and terms of Principle 4.5; 4.6; 4.7; 4.8; 4.9; 4.10 ; 4.13; 4.14; 4.15; 4.16; and 4.17 of King III report on Corporate Governance.

### 7.3.2 Internal Auditors

Internal Auditors are responsible for providing independent assurance on the effectiveness of Risk Management in the institution. This involves providing assurance that all material risks have been identified and assessed and that control systems implemented to treat such risks are both adequate and effective.

The internal auditors shall carry out their duties as prescribed by Provincial Risk Management Framework and in terms of Principle 5.1; 5.2 and 5.4 of King III report on Corporate Governance.

### 7.3.3 Risk Management Committee

An important part of the Risk Management Committee's mandate is to provide recommendations to the Accounting Officer to continuously improve the management of specific risks as well as the overall process of Risk Management

The **Head of Department** shall establish the Risk Management Committee (RMC). The RMC shall be responsible for oversight of the quality, integrity and reliability of the institution's risk management process and risk responses.

Provincial Treasury shall sit on Risk Management Committee meetings for the Department.

The Risk Management Committee shall carry out its duties as prescribed by Provincial Risk Management Framework and in terms of Principle 4.7 of King III report on Corporate Governance.

#### **7.3.4 Provincial Treasury**

In terms of section 18(2)(b) of the Public Finance Management Act (PFMA), the responsibility for enforcing the Act (including monitoring and assessing the implementation of Risk Management) in Provincial Departments and Public Entities falls within the exclusive mandate of Provincial Treasury.

Provincial Treasury shall through the established Provincial Risk Management Forum:-

7.3.4.1. Provide support and guidance to all Public sector institutions in the province.

7.3.4.2. Monitor and assess the systems of Risk Management in all public sector institutions within the province.

7.3.4.3. Assist in building Risk Management capacity in public sector institutions within the province.

7.3.4.4. Enforce the PFMA (by implication the specific prescripts therein pertaining to Risk Management) in provincial Departments and Public entities.

It is mandatory for all Chief Risk Officers to be members and attend all Provincial Risk Management Forum meetings.

### **8 Education and Awareness on Risk Management**

In order to effectively develop a culture of Risk Management, staff, managers and officials with Risk Management responsibilities need to be made aware of the Provincial Risk Management Framework and corporate governance principles that underpin it. Risk awareness is a cultural trait that should prevail throughout the Department, to enable managers to assess risks across the entire spectrum of the organization's activity.

The Department must build Risk Management competencies in order for the initiative to succeed.

## **9 Risk Management Process**

Enterprise Risk Management should be performed at all levels of the Department i.e. at a strategic level, at a divisional and operational level. The overall flow of the Enterprise Risk Management process will determine:-

- 9.1 A clear and unambiguous understanding of business objectives and purpose.
- 9.2 Environmental scans – keeping the institution updated on its operating environment.
- 9.3. Review of the previous year's Risk Management report.
- 9.4. A risk identification exercise for the year ahead.
- 9.5. Evaluation of identified risk using risk assessments, manage risks through application of Risk Management techniques. Cost benefit considerations will be a factor in deciding on the most suitable response.
- 9.6. Any enhancements to controls, if the residual exposure is still not acceptable to management.
- 9.7. Record and monitor risks using risk registers.
- 9.8 Assigning responsibility for risks to appropriate personnel.
- 9.9 Ongoing reporting on the risk profile of the Department.

Risk Assessment shall be conducted in the manner / method prescribed by Provincial Risk Management Framework.

## **10. Risk Assessment**

### **10.1 Strategic Risk Assessment**

The assessment of risk should be an integral part of the planning and review process. All strategic proposals should include a risk assessment both of doing and of not doing the proposed activity.

Where a strategic decision is taken or activity undertaken then the major risks associated with that decision or activity should be added to the Strategic Risk Register.

The Department shall set a Risk Appetite for each Strategic Goal. Risk appetite is the amount of risk, on a broad level; an entity is willing to accept in pursuit of service delivery. Many entities consider risk appetite qualitatively, with such categories as high, moderate, or low, while others take a quantitative approach, reflecting and balancing goals for growth, return, and risk.

The Department shall use the risk assessment matrix as prescribed by Provincial Risk Management Framework.

### **10.2 Operational Risk Assessment**

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. In conducting the operational risk assessments, the Department shall focus on all operational areas such as:

#### **10.2.1 Assets Management**

Managing control of risks in Assets Management should be applied in terms of Section 38 (1) (d) of the Public Finance Management Act, 1999 (Act No 1 of 1999) as amended and in terms of Transversal Assets Management Policy issued by Provincial Treasury.

### **10.2.2 Information Technology(IT)**

Risk Management is a process that allows IT Managers to balance the operational and economic costs of protective measures and achieve gains by protecting the IT systems and data that support their organizations' missions. The objective of performing risk assessments is to enable the institution to accomplish its mission by better securing the IT systems that store, process, or transmit institutional information and help organizations to better manage IT related risks.

### **10.2.3 Integration of Risk Management into Systems Development Life Cycle (SDLC)**

Minimizing negative impact on an organization and need for sound basis in decision making are fundamental reasons organizations implement a Risk Management process for their IT systems. Effective Risk Management must be totally integrated in the SDLC.

An IT System's SDLC have five phases; initiation, development or acquisition, implementation, operation or maintenance and disposal.

### **10.2.4 Security**

Security is a risk-control function with the objective of protecting people, property and assets against security risks. Protection may be defined as the means by which human, physical, financial and information resources are kept safe, defended, and shielded from security risks. The main objective is at the protection of human life and well-being.

Institutions shall carry out risk assessments on assets, identifying risks, evaluating controls and recommending improvements to security in terms of Minimum Security Standards (MISS)

### **10.2.5 Occupational Health and Safety**

The Occupational Health and Safety Act (OHS ACT) of 1993 (Section 14, (d) requires all employees at work to bring any threat to the health and safety of any employee at a work place or section workplace, which has come to his/her attention, to the attention of his/her employer or any safety committee established for that workplace or section of workplace. When such health and safety representative brings to the attention of the employee or meeting any threat to the safety of employees emanating from fire, crime or other threats, it then considered that management has a legal obligation to respond to such threats in the manner laid down in the OHS ACT.

The onus in the OHS ACT is clearly on management to provide a safe and healthy workplace and to fully inform workers of the risks present and steps taken to lessen those risks and where necessary the need for personal protective equipment. Management may well have to justify in a court of law that its training was adequate. Safe working practices must be enforced and employees must be clearly warned of the penalties that will be imposed for failure to comply with health and safety instructions. The Accounting Officer bears ultimate responsibility in terms of OHS ACT. The OHS ACT required employers to ensure that, as far as is reasonable practicable, every employee be made conversant with the health and safety hazards attached to any work.

Control measures on health and safety risks in the Public Sector institutions shall be applied and implemented in terms of Occupational Health and Safety ACT (Act 130 of 1993) as amended.

### **10.2.6 Human Resources**

Corporate Services and Finance shall be accountable for prudent recognition and disclosure of occupational health and safety risks, of employment risks, and of payroll risks etc.



### **10.2.7 Supply Chain Management**

The Department shall regularly carry out risk assessments and disclose risks associated with supply chain management processes, by identifying risks and evaluating the controls.

### **10.2.8. Expenditure Management**

Managing the control of risk in expenditure management shall be applied in terms of PFMA, Treasury Regulations and expenditure management policy.

### **10.2.9 Revenue Management**

Managing the control of risks in revenue should be applied in terms of PFMA, Treasury regulations and revenue policy.

### **10.2.10 Fleet Management**

Motor vehicle represents a significant part of the capital and operating expenditure of any organization, not only because of high running costs but also because of costs associated with fortuitous losses such as accidents. Such losses can be attributed mainly to lack of effective risk control measure.

### **10.2.11 Major projects – where large scale capital is required**

Project Risk Management is the risk that projects will not achieve the desired objectives or will have a negative impact resource level of the Department. In relation to project management, the Risk Management shall consider the management of risk of a range of risks, including the appropriateness of the following elements:

10.2.11.1a formal project methodology for promulgation of projects initiatives including:

- (i) setting a business case for the project;
- (ii) cost/ benefit analysis;
- (iii) risk identification and assessment etc.

10.2.11.1 clearly defined and appropriate levels of delegations of authority;

10.2.11.2 ongoing monitoring of projects objectives and timeframes;

10.2.11.3 centralized oversight of compliance with project management protocols; and

10.2.11.5 post-implementation review

Project Managers and project teams shall be responsible for managing project specific risk and complete a project risk register to demonstrate that this is done.

#### **10.2.12 Business continuity plan**

Business continuity planning is the creation and validation of a practiced logistical plan for how an organization will recover and restore partially or completely interrupted critical functions within a predetermined time after a disaster or extended disruption.

The department shall establish effective continuity arrangements in event of disaster.

#### **10.2.13 Integration of Risk Management in business processes**

King III report on corporate governance, Principle 4.1 states that 'Risk Management is inseparable from the company's strategic and business processes'.

Effective Risk Management cannot be practiced in isolation, but need to be built into existing decision-making structures and processes. As Risk Management is an essential component of good governance, integrating the Risk Management function into existing strategic management and operational processes will ensure that it is an integral part of day to day activities.

The Department shall find its own way to integrate Risk Management into existing decision making structures. The following are factors that shall be considered:-

10.2.13.1 Aligning Risk Management with objectives at all levels of the Department;

10.2.13.2 Incorporating Risk Management into the Performance Agreements of management;

10.2.13.3 Introducing Risk Management components into existing planning and operational processes;

10.2.13.4 Communicating corporate directions on acceptable level of risk; and

10.2.13.5 Improving control and accountability systems and processes to take into account Risk Management and results.

The integration of Risk Management into business process shall be supported by a corporate philosophy and culture that encourages everyone to manage risks.

#### **10.2.14 Reporting Requirements**

The Chief Risk Officer shall report to Provincial Treasury quarterly detailing the progress made on the implementation of mitigation strategy in a format prescribed by Limpopo Provincial Treasury.

Reporting of the results of the Enterprise Risk Management process is critical, as this will ensure that the enterprise Risk Management process is ongoing and embedded.

#### **10.2.15 Disclosure of risks**

In order for Risk Management to work, it must be embedded into every day activities of the Department. It should be integrated into the reporting process. Risk should be part of every decision that is made, every objective that is set and every process that is designed. Risk Management will be integrated into the reporting process of managers in strategic planning meetings of the department.

Every manager within the institution shall on a quarterly basis and during the strategic planning meetings of the office / department disclose:

- 10.2.15.1 That he/she is accountable for the process of risk management and the systems of internal control which are regularly reviewed for effectiveness, and in establishing appropriate risk and control policies and communicating this throughout the office.
- 10.2.15.2 That there is an on-going process for identifying, evaluating and managing the significant risks faced by the unit concerned.
- 10.2.15.3 That there is adequate and effective system of internal control in place to mitigate the significant risks faced by the unit concerned to an acceptable level.
- 10.2.15.4 That there is a documented and tested process in place which will allow the Unit to continue its critical business process in the event of disastrous incident impacting on its activities. This is commonly known as business continuity plan and should cater for worst-case scenario.
- 10.2.15.5 That the Unit complies with the process in place, established to review the system of internal control for effectiveness and efficiency.

Where the Program Manager cannot make any of the disclosures set out above he/she should state this fact and provide a suitable explanation.

## **11. Independent Assurance of the Risk Management Process**

Risk Management Unit shall provide full cooperation during the conducting of an independent evaluation of the Risk Management process to ensure reasonable assurance on its effectiveness. Criteria of the evaluation must be established by Internal Audit function and assurance of the processes surrounding key risks must be given.

## **12. Implementation Date**

This policy comes into operation with effect from date of approval.

