



LIMPOPO

PROVINCIAL GOVERNMENT

REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF SAFETY, SECURITY & LIAISON

RISK MANAGEMENT POLICY

1. INTRODUCTION AND BACKGROUND

- 1.1. The Accounting Officer has committed the Department of Safety, Security and Liaison 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.
- 1.2. Risk management is recognised as an integral part of responsible management and the Department therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Department's Risk Management Strategy. It is expected that all branches / directorates, operations and processes will be subject to the risk management strategy. It is the intention that these branches / directorates will work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.
- 1.3. Effective risk management is imperative to the Department to fulfill its mandate, the service delivery expectations of the public and the performance expectations within the Department.
- 1.4. The realization of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardize the direct interests of stakeholders. Sound management of risk will enable us to anticipate and respond to changes in our services delivery environment, as well as take informed decisions under conditions of uncertainty.

2 PURPOSE

- 2.1. The Purpose of this is to outline the department's commitment to protect the department against the adverse outcomes which may impact negatively on service delivery.

3 OBJECTIVES

- 3.1 To provide and maintain a working environment where every employee is following sound risk management practices and is held accountable for achieving results.
- 3.2 To promote risk management culture in the department

- 3.3 To assist the department in enhancing and protecting those opportunities that represents the greatest service delivery;

4. SCOPE OF APPLICATION

- 4.1. This Policy will be Applicable to the Department of Safety Security and Liaison, all institutions subsidiary to it and all its employees.

5. CUSTODIANSHIP OF THE POLICY

- 5.1. The Custodian of this policy will be the Accounting Officer as mandated by Section 38(1)(a)(i) of the Public Finance Management Act ,1994 as amended.
- 5.2. This Policy as stipulated in the Section 38(1)(a)(i) strives to ensure that the Accounting Officer has and maintains effective, efficient and transparent systems of financial management ,risk management and internal control.

6. LEGAL FRAMEWORKS

- 6.1. This policy derives its mandate from the Public Finance Management Act of 1994 as amended and other applicable Treasury Regulations, particularly the National Treasury Risk Management Framework of 2004 as updated.

7. DEFINITIONS

- 7.1. Unless specifically stated elsewhere in this Policy the following concepts used in this Policy shall refer to context and meanings specifically defined herein as:
- 7.1.1. "Risk Management" means a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on the Department's service delivery capacity.
- 7.1.2. "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
- 7.1.3. "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).
- 7.1.4. "Inherent Risk" means the exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.
- 7.1.5. "Risk identification" means a deliberate and systematic effort to identify and document the Department's key risks.
- 7.1.6. "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.
- 7.1.7. "Risk Appetite" The amount of residual risk that the Department is willing to accept.
- 7.1.8. "Risk Tolerance" The amount of risk the Department is capable of bearing (as opposed to the amount of risk it is willing to bear)
- 7.1.9 "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.

7.1.10 "Risk Management Committee" means a committee appointed by the Accounting Officer to review the Institution's system of risk management.

7.1.11 "Risk Management Unit" means a business unit responsible for coordinating and supporting the overall Department risk management process, but which does not assume the responsibilities of Management for identifying, assessing and managing risk.

7.1.12 "Risk Owner" means the person accountable for managing a particular risk.

7.1.12 Enterprise Risk Management (ERM) Is the application of Risk Management throughout the Department rather than only in selected business areas or disciplines

7.1.13 "Chief Risk Officer" means a senior official who is the head of the risk management unit.

7.1.14 "Management" means all Senior Management of the Department except for the Chief Risk Officer and officials reporting to him/her.

7.1.15 "Other Official" means an official other than the Accounting Officer, Management, Chief Risk Officer and his/her staff.

8. PRINCIPLES OF RISK MANAGEMENT

8.1. This Policy shall strive to achieve the following principles:

8.1.1. The highest standards of service delivery;

8.1.2 A management system containing the appropriate elements aimed at minimizing risks and costs in the interest of all stakeholders;

8.1.3 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

8.1.4 Maintaining an environment, which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

9.STATUS QUO OF RISK MANAGEMENT POLICY IN THE DEPARTMENT

The Department has risk management strategy, this policy flow from the strategy.

10. INSTITUTIONAL ARRANGEMENTS

This Policy seeks to allocate roles and responsibilities to the following Structures and functionaries within the Department:

10.1 Accounting Authority

10.2 Risk Management Committee

10.3 Chief Risk Officer

10.4 Management

10.5 Other Personnel

11. SCOPE AND APPROACH TO RISK MANAGEMENT

- 11.1. This Policy shall ensure that the Department adopts a department-wide approach to risk management to ensure that every key risk in each part of the Department will be included in a structured and systematic process of risk management.
- 11.2. The Department shall ensure that the risk management processes is embedded into the Department's systems and processes and that its responses to risk remain current and dynamic.
- 11.3. The Department shall ensure that all risk management efforts shall be focused on supporting the Department's objectives.
- 11.4. The Department shall equally ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

12. RISK MANAGEMENT PROCESSES

12.1. RISK IDENTIFICATION

- 12.1.1. The Department Risk identification process is to be inclusive, not overly rely on the inputs of a few senior officials and will draw as much as possible on unbiased independent sources, including the perspectives of important stakeholders
- 12.1.2. The Department shall ensure comprehensiveness of risk identification there by identifying risk factors through considering both internal and external factors, through appropriate processes.

12.2 Strategic risk identification

- 12.2.1. The Department 's Strategic risk identification process shall identify risks emanating from the strategic choices made by the Department, specifically with regard to whether such choices weaken or strengthen the Department's ability to execute its Constitutional mandate
- 12.2.2. The process of Strategic risk identification shall precede the finalization of strategic choices to ensure that potential risk issues are factored into the decision making process for selecting the strategic options;
- 12.2.3. Risks inherent to the selected strategic choices shall be documented, assessed and managed through the normal functioning of the system of risk management; and
- 12.2.4. Strategic risks shall be formally reviewed concurrently with changes in strategy, or at least once a year to consider new and emerging risks.

12.3 Operational risk identification

- 12.3.1. The Department shall conduct Operational risk identification to identify risks concerned with the Department's operations;
- 12.3.2. Operational risk identification shall seek to establish vulnerabilities introduced by employees, internal processes and systems, contractors, regulatory authorities and external events;
- 12.3.3. Operational risk identification shall be an embedded continuous process to identify new and emerging risks and consider shifts in known risks through

mechanisms such as management and committee meetings, environmental scanning, process reviews and the like; and

- 12.3.4 The Department's Operational risk identification shall be repeated when changes occur, or at least once a year, to identify new and emerging risks.

12.4 The risk assessment process

- 12.4.1 The Department's Risks shall be assessed on the basis of the likelihood of the risk occurring and the impact of its occurrence on the particular Departmental objective(s) it is likely to affect.

- 12.4.2. Departmental Risks shall be expressed in the same unit of measure used for the key performance indicator(s) concerned.

- 12.4.3. Risk assessment shall be performed through a three stage process:

- 12.4.3.1. Firstly, the inherent risk shall be assessed to establish the level of exposure in the absence of deliberate management actions to influence the risk;

- 12.4.3.2. Secondly, a residual risk assessment shall be performed to determine the actual remaining level of risk after the mitigating effects of management actions to influence the risk; and

- 12.4.3.3. Thirdly, the residual risk shall be benchmarked against the Department's risk appetite to determine the need for further management intervention, if any.

12.5 Management Action

- 12.5.1 Having determined which risks will be prioritized the Department shall then determined the Risk Interventions including the responsible manager, the time frames, and the monitoring framework.

- 12.5.2 In terms of monitoring, the Department shall ensure that the interventions are included in the Annual Performance Plans of the responsible manager.

13 ESTABLISHMENT OF RISK MANAGEMENT COMMITTEE

- 13.1 The Head of Department shall establish the Risk Management Committee in the Department.

- 13.2 The Head of the Department shall designate in writing Risk Management Committee members who will serve in the above mentioned committee for a specified period.

- 13.3. The risk management committee shall also serve as the Fraud and Corruption Prevention Committee to ensure that risk management is inclusive but not limited to minimizing fraud, corruption and waste of government resources

- 13.4. The Departmental General Manager Corporate Services, General Manager Transformation and Service Delivery, General Manager Crime Prevention and Community Relations, Chief financial Officer, Security Manager, Risk manager shall be members of the risk management committee due to their strategic roles within the Department.

14 RESPONSIBILITIES

14.5 ACCOUNTING OFFICER

Accounting Officer shall be responsible for;

- 14.5.1 Setting the tone at the top by supporting Enterprise Risk Management and allocating resources towards the implementation thereof;
- 14.5.2 Establishing the necessary structures and reporting lines within the Department to support Enterprise Risk Management;
- 14.5.3 Approving the risk management strategy, risk management policy, risk management implementation plan and fraud risk management policy;
- 14.5.4 Approving the Department's risk appetite and risk tolerance;
- 14.5.5 Influencing the Departmental "risk aware" culture;
- 14.5.6 Approving the code of conduct for the Department and holding management and officials accountable for adherence;
- 14.5.7 Placing the key risks at the forefront of the management agenda and devote personal attention to overseeing their effective management;
- 14.5.8 Holding management accountable for designing, implementing, monitoring and integrating risk management principles into their day-to-day activities;
- 14.5.9 Holding the structures responsible for risk management activities accountable for adequate performance;
- 14.5.10 Ensuring that a conducive control environment exists to ensure that identified risks are proactively managed;
- 14.5.11 Leverage the Audit Committee, Internal Audit, Risk Management Committee and other appropriate structures for assurance on the effectiveness of risk management;
- 14.5.12 Providing all relevant stakeholders with the necessary assurance that key risks are properly identified, assessed, mitigated and monitored;
- 14.5.13 Considering and acting on recommendations from the Audit Committee, Internal Audit, Risk Management Committee and other appropriate structures for improving the overall state of risk management;
- 14.5.14 Providing appropriate leadership and guidance to senior management and structures responsible for various aspects of risk management.

14.6 MANAGEMENT

Management shall be responsible for;

- 14.6.1 Empowering officials to perform effectively in their risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;
- 14.6.2 Aligning the functional risk management methodologies and processes with the Departmental process;
- 14.6.3 Devoting personal attention to overseeing the management of key risks within their area of responsibility;
- 14.6.4 Maintaining a co-operative relationship with the Risk Management Unit and Risk Champion;
- 14.6.5 Providing risk management reports;
- 14.6.6 Presenting to the Risk Management and Audit Committees as requested;

- 14.6.7 Maintaining the proper functioning of the control environment within their area of responsibility;
- 14.6.8 Monitoring risk management within their area of responsibility;
- 14.6.9 Holding officials accountable for their specific risk management responsibilities.
- 14.6.10 Maintaining the functional risk profile within the Department's risk tolerance (ability to tolerate) and appetite (risk that it is willing to take);
- 14.6.11 Implementing the directives of the Accounting Officer concerning risk management;
- 14.6.12 Prioritizing and ranking risks in their area of responsibility to focus responses and interventions on risks outside the Department's tolerance levels;
- 14.6.13 Benchmarking risk and risk mitigation activities;
- 14.6.14 Assessing the effectiveness of risk management within area of responsibility;

14.7 CHIEF RISK OFFICER

The Chief Risk Officer shall be responsible for;

- 14.7.1 Developing, in consultation with management, the Department's risk management framework incorporating, inter alia, the:
 - 14.7.1.1 risk management policy;
 - 14.7.1.2. risk management strategy
 - 14.7.1.3. risk management implementation plan;
 - 14.7.1.4. risk identification and assessment methodology;
 - 14.7.1.5. risk appetite and tolerance; and
 - 14.7.1.6. risk classification
- 14.7.2 Communicating the Department's risk management framework to all stakeholders in the Department and monitoring its implementation;
- 14.7.3 Facilitating orientation and training for the Risk Management Committee;
- 14.7.4 Training all stakeholders in their risk management functions;
- 14.7.5 Continuously driving risk management to higher levels of maturity;
- 14.7.6 Assisting Management with risk identification, assessment and development of response strategies;
- 14.7.7 Monitoring the implementation of the response strategies;
- 14.7.8 Collating, aggregating, interpreting and analyzing the results of risk assessments to extract risk intelligence;
- 14.7.9 Reporting risk intelligence to the Accounting Officer, Management and the Risk Management Committee; and
- 14.7.10 Participating with Internal Audit, Management and Auditor-General in developing the combined assurance plan for the Institution.

14.8 OTHER OFFICIALS

Other officials shall be responsible for;

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- 14.8.1 Applying the risk management processes in their respective functions;
- 14.8.2 Implementing the delegated action plans to address the identified risks;
- 14.8.3 Informing their supervisors and/or the Risk Management Unit of new risks and significant changes in known risks;
- 14.8.4 Co-operating with other role players in the risk management process and providing information as required;
- 14.8.5 Familiarity with the overall risk management vision, risk management strategy, fraud risk management policy and risk management policy;
- 14.8.6 Acting within the risk appetite and tolerance levels set by the business unit;
- 14.8.7 Adhering to the code of conduct for the institution;
- 14.8.8 Maintaining the functioning of the control environment, information and communication as well as the monitoring systems within their delegated responsibility;
- 14.8.9 Participating in risk identification and risk assessment within their business unit;
- 14.8.10 Reporting inefficient, unnecessary or unworkable controls; and
- 14.8.11 Reporting suspicion of fraud and corruption to their respective Department.

14.9 RISK MANAGEMENT COMMITTEE

Risk management committee shall be responsible for;

- 14.9.1 Reviewing and recommending for the Approval of the Accounting Officer, the:
 - 14.9.1.1.risk management policy;
 - 14.9.1.2.risk management strategy;
 - 14.9.1.3.risk management implementation plan;
 - 14.9.1.4.Department's risk appetite, ensuring that limits are:
- 14.9.2 Supporting by a rigorous analysis and expert judgment;
- 14.9.3 Expressing in the same values as the key performance indicators to which they apply;
- 14.9.4 Setting for all material risks individually, as well as in aggregating for particular categorizations of risk; and
- 14.9.5 The Department's ability to withstand significant shocks; and
- 14.9.6 Evaluating the extent and effectiveness of integration of risk management within the Department;
- 14.9.7 Assessing implementation of the risk management policy and strategy (including plan);
- 14.9.8 Evaluating the effectiveness of the mitigating strategies implemented to address the material risks of the Department;
- 14.9.9 Reviewing the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;

- 14.9.10 Developing its own key performance indicators for approval by the Accounting Officer;
- 14.9.11 Interacting with the Audit Committee to share information relating to material risks of the Department; and
- 14.9.12 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.
- 14.9.13 In instances where the scale, complexity and geographical dispersion of the Department's activities dictate the need for the Risk Management Committee to work through sub-committees, the Risk Management Committee should ensure that:
- 14.9.13.1 Approval is obtained from the Accounting Officer for the establishment of the sub-committees;
- 14.9.13.2 The terms of reference of the sub-committees are aligned to that of the Risk Management Committee; and
- 14.9.13.3 The Risk Management Committee exercises control over the functioning of the sub-committees

15 INCEPTION DATE

The contents of this policy will take effect from the date of approval by the Executing Authority

16. DEVIATION

Any deviation from this policy, an employee concern might be committing an act of misconduct and should be dealt with in line with resolution 2 of 1999, as amended (disciplinary code and procedure for the Public Service).

17. TERMINATION AND REVIEWAL CONDITIONS

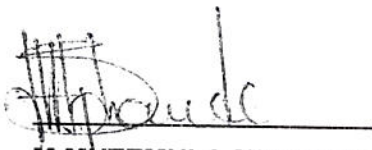
The risk management policy shall be reviewed annually to reflect the current stance on risk management.

18. ENQUIRIES

Directorate: Financial Management

Designation: Manager- Risk Management

APPROVED / NOT-APPROVED.


M. MUTEMULA-MPHANDE
HEAD OF DEPARTMENT


DATE