



human settlements

Department:
Human Settlements
North West Provincial Government
REPUBLIC OF SOUTH AFRICA



RISK MANAGEMENT

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DEPARTMENT OF HUMAN SETTLEMENTS

RISK MANAGEMENT STRATEGY

&

IMPLEMENTATION PLAN

2022/2023

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Abbreviations

| Abbreviation | Full description |
|---------------------|--|
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| CRO | Chief Risk Officer |
| ERM | Enterprise Risk Management |

1. INTRODUCTION

The risk management strategy will serve as a roadmap and guide for implementation of risk management processes in the Department. This will be achieved through:

- 1.1. Development of an enterprise-wide risk management strategy,
- 1.2. Continued interaction with Senior Management and all officials of the Department on the risk management process,
- 1.3. Quarterly review and monitoring the implementation of treatment plans/adequate controls to reduce key risks facing the Department,
- 1.4. Training departmental management and staff on risk management processes and methodologies
- 1.5. Conducting workshops on risk management to create awareness and build risk management capacity in the Department to establish risk management philosophy and good attitude to risk management process.

The aim of the risk management strategy is to enable the Department to comply with legal requirements relating to risk management and to demonstrate good corporate governance, while at the same time enhancing operations required for achievement of strategic outcomes of the Department.

Risk management has been traditionally viewed as only a financial risk management function, insurance risk management and/or occupational health and safety, and security functions.

This strategy is intended to ensure that all areas of risk management are covered and that, it is incorporated in the day-to-day activities of work done and forms part of the culture of the organisation.

2. SCOPE

This strategy is applicable to the entire **Department of Human Settlements**.

3. LEGISLATIVE REQUIREMENTS

The Public Finance Management Act (PFMA), Act 1 of 1999, section 38, paragraph 1(a) (i) requires that the Accounting Officer for a Department must ensure that the Department has and maintains an effective, efficient and transparent system of risk management.

The Treasury Regulations require the Accounting Officer to ensure that a risk assessment is conducted at least annually to identify emerging risks of the Department.

The strategy must be clearly communicated to all departmental officials to ensure that it is incorporated into the language and culture and the Department

Section 45 of PFMA further established accountability for risk management at all levels of the organisation and does not limit it to the Accounting Officer.

Section 2, Chapter 3, Paragraph 8 (1) of the Public Sector Risk Management Framework states that the Implementation of the institution's risk management policy should be guided by a strategy approved by the Accounting officer.

3.1. References and acknowledgements:-

3.1.1. Constitution of South Africa

3.1.2. National Treasury Public Sector Risk Management Framework,

3.1.3. North West Provincial Risk Management Framework,

3.1.4. King IV,

3.1.5. COSO Enterprise Risk Management Framework- Integrating with Strategy and Performance

3.1.6. Public Sector Risk Management Framework

4. REPORTING LINES

The Chief Risk Officer reports administratively to the Accounting Officer and functionally to the Risk Management Committee.

The Chairperson of the Committee will regularly update the Accounting Officer on risk management developments through reports prepared by the Chief Risk Officer; these reports are ultimately submitted to the Cluster Audit Committee and the Provincial Risk Management Unit.

- 4.1. The CRO must enjoy sufficient power of office such that his/her influence does not become diluted, conscious of the fact that the CRO needs to work with and through top management;
- 4.2. The person that the CRO reports to is at a sufficiently high level in the institution (the Accounting Officer) and is able and willing to provide the necessary support and guidance to the risk management function;
- 4.3. The CRO must have a dotted reporting line to the Risk Management Committee.

5. APPROACH

The Department will adopt an approach that will ensure that all its risks, including fraud risks, are addressed and managed through implementing mitigating controls by management to reduce risk impact and likelihood.

The Department will monitor and update the risk register regularly (quarterly) taking into account emerging risks for the register to be complete and relevant. Treatment plans/mitigating action plans should be developed and incorporated when the risk register is updated.

When the treatment plan is implemented, Management should re-rate the impact and the likelihood of the identified risks to ensure that they are within the Departments appetite and tolerance levels.

The approach will also include the following:

- 5.1. Formulation and approval of policies and Plans,
- 5.2. Ensuring that the Risk Management Committee functions per the approved Risk Management Charter,
- 5.3. Conducting regular training of the Risk Management Committee Members,
- 5.4. Understanding the departmental strategic goals, functions and processes, resources and stakeholders.
- 5.5. Conducting risk (including fraud) awareness campaigns and workshops
- 5.6. Developing risk action plans, identifying risk treatment options
- 5.7. Ongoing Quarterly monitoring/maintenance and reviews of the risk registers,
- 5.8. Regular reporting to all risk management stakeholders,
- 5.9. Communication and consultation during all stages of risk management processes with all levels of staff within the organisation.
- 5.10. Including risk management in the operational planning and performance agreement of all Senior Managers and all officials within the Department.
- 5.11. Ensuring that the Department has adequate human resources capacity with relevant skills to implement the strategy.
- 5.12. Facilitation of risk assessment exercise.

6. RISK MANAGEMENT PHILOSOPHY

- 6.1. The Risk Management Philosophy is set by Senior Managers. The set philosophy requires that senior managers are responsible for ensuring that risk management is incorporated into the day-to-day activities of the Department.
- 6.2. "Our overall goal as a Department is continued encouragement of a risk conscious culture"
- 6.3. It is the responsibility of each Programme Manager to ensure that risks are identified and assessed to ensure that effective mitigation strategies are employed to the greatest extent possible through-out the year to reduce the severity of the risks.
- 6.4. Continuous (quarterly) monitoring of the implementation of the mitigation strategies will be done to ensure that identified risks are within the Departments

risk appetite. Risk Management will add value by dealing and managing uncertainties, associated risk and opportunities to provide reasonable assurance that set Departmental objectives will be achieved.

7. RISK MANAGEMENT OBJECTIVES

- 7.1. To ensure that the Department has and maintains effective, efficient and transparent systems of Risk Management.
- 7.2. To ensure that Risk Management is incorporated in the day to day activities by all officials within the Department.
- 7.3. To ensure that all officials within the Department are trained and capacitated on the risk management system and processes.
- 7.4. To ensure that Risk Management is incorporated in the key performance areas of all Senior Managers (risk owners) for proper accountability and responsibility.
- 7.5. To ensure that new emerging risks are continuously identified and measured on a regular basis in order to manage the identified risks.

8. RISK MANAGEMENT PROCESS:

8.1. Governance and Culture

Governance sets the organisations tone, reinforcing the importance of, and establishing oversight responsibilities for, enterprise risk management. Culture pertains to ethical values, desirable behaviours and understanding for risk in the entity.

8.2. Strategy and Objective -Setting

Enterprise risk management, strategy and objective-setting work together in the strategic-planning process. A risk appetite is established and aligned with strategy, business objectives put strategy into practice while serving as a basic for identifying, assessing and responding to risk.

8.3. Performance

Risks that may impact the achievement of strategy and business objectives need to be identified and assessed. Risks are prioritised by severity in the context of risk appetite. The Organisation then selects risk responses and takes a portfolio view of the amount of risk it has assumed. The results of this process are reported to key risk stakeholders.

8.4. Review and Revision

By reviewing entity performance, an organisation can consider how well the enterprise risk management components are functioning over time and in light of substantial changes, and what revisions are needed.

8.5. Information, Communication and Reporting

Enterprise risk management requires a continual process of obtaining and sharing necessary information, from both internal and external sources, which flows up, down and across the organisation.

9. RISK TOLERANCE

Risk Tolerance is the amount of risk the Department is capable of bearing (as opposed to the amount of risk it is willing to bear) in pursuit of its set objectives. Management should align the Department's human resource, processes, budget and infrastructure to facilitate strategy implementation and enable the institution to stay within its set risk appetite and tolerance levels.

The Risk Tolerance level should be reviewed annually by Senior Managers, recommended by the Risk Management Committee and approved by the Accounting Officer of the Department.

Tolerance level is considered during the risk assessment of the Department.

RISK RATING TABLES

Impact

The following is an example of a rating table that can be utilised to assess the potential impact of risks. Institutions are encouraged to customise the rating table to their specific requirements.

| Rating | Assessment | Definition |
|--------|---------------|--|
| 1 | Insignificant | There is 90-100% that the objective will certainly be achieved. (Acceptable-No action required) |
| 2 | Minor | There are 70-89% chances that it is likely that the objective will be achieved. (Mostly acceptable - Low level of control intervention required, if any) |
| 3 | Moderate | There are 50-69% chances that it is likely that the objective will be achieved. (Moderate level of control intervention required) |
| 4 | Major | There are 30-49% chances that it is likely that the objective will be achieved. (Unacceptable level of risk - Major level of control intervention required) |
| 5 | Critical | There is 1-29% that it is likely that the objective will be achieved. (Unacceptable- Action must be taken immediately) |

Likelihood

The following is an example of a rating table that can be utilised to assess the likelihood of risks. Institutions are encouraged to customise the rating table to their specific requirements.

| Rating | Assessment | Definition |
|--------|------------|---|
| 1 | Rare | The risk is conceivable but is only likely to occur in extreme circumstances |
| 2 | Unlikely | The risk occurs infrequently and is unlikely to occur within the next 12 months |
| 3 | Moderate | There is an above average chance that the risk will occur at least once in the next 12 months |
| 4 | Likely | The risk could easily occur, and is likely to occur at least once within the next 12 months |
| 5 | Common | The risk is already occurring, or is likely to occur more than once within the next 12 months |

Inherent risk exposure (impact x likelihood): Residual risk exposure (inherent risk x control effectiveness)

The following is an example of a rating table that can be utilised to categorise the various levels of inherent risk. Institutions are encouraged to customise the rating table to their specific requirements.

| Risk rating | Risk magnitude | Response |
|-------------|----------------|---|
| 20 - 25 | Maximum | Unacceptable- Action must be taken immediately (0-3 months) |
| 15 - 19 | High | Unacceptable level of risk, except under unique circumstances or conditions - Major level of control intervention required to achieve an acceptable level of residual risk (3-6 Months) |
| 10 - 14 | Medium | Unacceptable level of risk, except under unique circumstances or conditions - Moderate level of control intervention required to achieve an acceptable level of residual risk (6-12 Months) |
| 5 - 9 | Minimum | Mostly acceptable - Low level of control intervention required, if any |
| 1 - 4 | Low | Acceptable-No action required |

Impact and likelihood

| | | | | | | | |
|------------|--------|----------|---------------|-------|----------|-------|----------|
| LIKELIHOOD | 5 | Frequent | 5 | 10 | 15 | 20 | 25 |
| | 4 | Likely | 4 | 8 | 12 | 16 | 20 |
| | 3 | Moderate | 3 | 6 | 9 | 12 | 15 |
| | 2 | Unlikely | 2 | 4 | 6 | 8 | 10 |
| | 1 | Rare | 1 | 2 | 3 | 4 | 5 |
| | | | Insignificant | Minor | Moderate | Major | Critical |
| | Rating | | 1 | 2 | 3 | 4 | 5 |
| IMPACT | | | | | | | |

10. ETHICS RISK ASSESSMENT

Risk assessment is a systematic process to quantify or qualify the level of risks in the Department.

The Department has an Ethics Strategy and ethics risk assessment will be dealt with in accordance with the approved strategy.

The main purpose of risk assessment is to help the organisation prioritise the most important risks.

Risk should be assessed on the basis of the likelihood and impact.

Assessment should be performed through a three stage process:

- 10.1. Inherent risk should be assessed to establish the level of exposure in the absence of action/controls by Management.
- 10.2. Residual risks are assessed in terms of impact and likelihood to determine the actual remaining level of risk after mitigating efforts by Management.
- 10.3. Residual risks are benchmarked against the risk appetite to determine further management intervention.

11. RISK MANAGEMENT IMPLEMENTATION PLAN 2022/23

| Activity | Due date and responsible official | Outputs / Outcomes | Progress to date |
|--|---|---|------------------|
| Risk planning | | | |
| Senior management to set the risk appetite and tolerance | Senior Management 4 th Quarter 2021/22 | Approved Departments Risk Appetite and Tolerance Policy | |
| Develop risk implementation plan | Chief Risk Officer 1 st quarter 2022/23 | Approved risk Implementation plan | |
| Review Risk Management KRA for HOD and Senior Managers | Chief Risk Officer April 2022 | Approved KRAs | |
| Review of the 2022/23 Strategic Risks | 4 th quarter 2021 | Approved Strategic Risk Register | |
| Risk orientation | | | |
| Risk management policy | Chief Risk Officer 30 April 2022 | Approved risk management policy | |
| Risk management strategy & Implementation plan | Chief Risk Officer 30 April 2022 | Approved risk management strategy | |
| Review and monitor/maintain the Strategic risk register. | Chief Risk Officer & SMS | Approved updated strategic risk register | |

11. RISK MANAGEMENT IMPLEMENTATION PLAN 2022/23

| | | | |
|--|--|--|--|
| | 4 th Quarterly 2021/22 | | |
| Review and monitor/maintain the operational risk register. | Chief Risk Officer & officials 1 st quarter 2022 | Approved operational risk register | |
| Audit of risk management effectiveness | Provincial Internal Audit 1 st Quarter – 2022/23 | Internal Audit Report | |
| Training of the Senior Management of the Department | Chief Risk Officer 1 st Quarter 2022/23 | Trained Risk Management Committee Members | |
| Appointment and training of risk Champion | Chief Risk Officer 2 nd quarter 2022 | Signed appointment letter | |
| Terms of reference for the risk management committee | Chief Risk Officer 1 st Quarter 2021/22 | Approved risk management committee charter | |
| Risk Management Meeting | Quarterly 2022 | Risk Management Minutes | |

11. RISK MANAGEMENT IMPLEMENTATION PLAN 2022/23

Quarter 2

| | | | |
|--|--|---------------------------|--|
| Training of New officials on risk Management | Chief Risk Officer 2 nd quarter 2022 | Training New officials | |
| Workshops, education and training of senior managers | Chief Risk Officer 2 nd quarter 2022 | Informed senior managers | |
| Training of appointed risk champions | Chief Risk Officer 2 nd quarter 2022 | Capacitated risk champion | |
| Workshops, education and training of officials | Chief Risk Officer 2 nd quarter 2022 | Informed officials | |

11. RISK MANAGEMENT IMPLEMENTATION PLAN 2022/23

| Risk monitoring | | | |
|--|---------------------------------|---|--|
| Quarterly report on the implementation of risk management process | Chief Risk Officer Quarterly | Approved report to Provincial Risk Management Support | |
| Monitoring Report on the implementation of the Treatment plans of the strategic register | Chief Risk Officer Quarterly | Approved Monitoring Report to the Audit Cluster | |
| Quarterly report on the implementation of risk management system/process | Chief Risk Officer Quarterly | Report to the HOD and Audit Committee report | |
| Executive Summary to the HOD on status of departmental Operational risk register | Chief Risk Officer Quarterly | Approved Executive Summary | |

11. RISK MANAGEMENT IMPLEMENTATION PLAN 2022/23

12. IMPLEMENTATION OF THIS STRATEGY

The Accounting Officer is designated to coordinate the risk management process by coming up with a plan for the implementation of this strategy. The plan shall be approved by the Accounting Officer.

13. REVIEW OF THE STRATEGY & IMPLEMENTATION PLAN

Risk Implementation Plan and the Strategy will be reviewed at least annually. The Strategy and the Plan will be recommended by the Independent Risk Management Chairperson and approved by the Accounting Officer.

14. POLICY APPROVAL

Policy Developer:



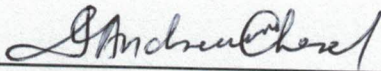
MS L THULO

DEPUTY DIRECTOR

31/03/22.

DATE:

Recommendation:

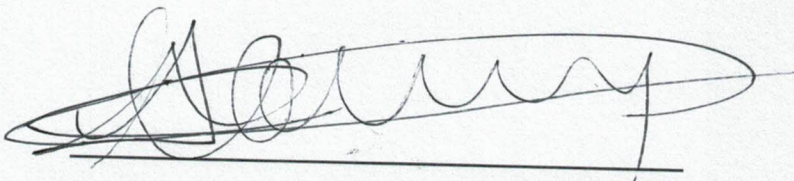


INDEPENDENT RISK MANAGEMENT CHAIRPERSON

31/03/2022

DATE:

Approval:



ACCOUNTING OFFICER

31/03/2022

DATE: