

# RISK MANAGEMENT POLICY

## 2023/2024



**public works & roads**

Department:  
Public Works and Roads  
North West Provincial Government  
**REPUBLIC OF SOUTH AFRICA**



## CONTENTS

1. INTRODUCTION .....	3
2. RISK AND RISK MANAGEMENT .....	3
2.1 Desired Outcomes .....	3
3. PURPOSE OF THE POLICY .....	4
4. APPLICABILITY OF THE POLICY .....	4
5. THE POLICY AND ITS OBJECTIVES .....	4
6. RISK APPETITE STATEMENT .....	5
7. ROLE PLAYERS .....	6
7.1 Executive Authority .....	6
7.2 Audit Committee .....	6
7.3 Risk Management Committee .....	6
7.4 Accounting Officer .....	6
7.5 Management .....	6
7.6 Other Officials .....	7
7.7 Chief Risk Officer .....	7
7.8 Risk Champion .....	7
7.9 Provincial Risk Management Unit .....	7
7.10 Internal Audit .....	7
7.11 External Audit .....	7
8. POLICY REVIEW .....	8
9. RECOMMENDATION AND APPROVAL .....	8





## 1. INTRODUCTION

The Accounting Officer / Authority has committed the Department of Public Works and Roads (DPWR) to a process of risk management that is aligned with the principles of good corporate governance. The Public Finance Management Act (PFMA) 1999 outlines the following risk management obligations for the Department of Public Works and Roads (DPWR):

<b>Section 38 of the PFMA</b>	Accounting Officer must ensure the maintenance of effective, efficient and transparent system of risk management and internal control.
<b>Treasury Regulation 3.2.1</b>	Accounting Officer must ensure that risk assessments are conducted regularly to identify emerging risks.

## 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 continuous and proactive process, effected by management and other personnel, applied in strategic planning and across the department, designed to identify potential events that may affect the Department and manage risks to be within its risk tolerance and lastly to provide reasonable assurance that the Department's objectives will be achieved.

### 2.1 Desired Outcomes

When effectively implemented and maintained, risk management will enable the Department to achieve the following outcomes:

- Sustainable and reliable delivery of services;
- Informed and reliable decision making and planning which are underpinned by appropriate rigour and analysis;



## 2023/24 RISK MANAGEMENT POLICY

- Improved governance, and thus stakeholder confidence and trust;
- Effective allocation and efficient use of resources;
- Reduced Wastage/losses and poor value for money;
- Prevention of Fraud and Corruption; and
- Improved Health and Safe Working Environment

### 3. PURPOSE OF THE POLICY

The purpose of this Policy is to articulate the Department's risk management philosophy which is a continuous and proactive process, effected by management and other personnel, applied in strategic planning and across the department, designed to identify potential events that may affect the Department and manage risks to be within its risk tolerance and lastly to provide reasonable assurance that the Department's objectives will be achieved.

### 4. APPLICABILITY OF THE POLICY

The Risk Management Policy is applicable to the Department and all its employees, as well as all relevant stakeholders of the Department.

### 5. THE POLICY AND ITS OBJECTIVES

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 make informed decisions under conditions of uncertainty.

We subscribe to the fundamental principles that all resources will be applied economically to ensure the following objectives are met:

- Create an environment for compliance with key statutory and best practice risk management requirements and principles;
- Recognise risk management as critical to the achievement of the department's service delivery goals;
- Ensure that all the current and future material risks exposures of the Department are identified, assessed, quantified, appropriately mitigated, and managed;

## 2023/24 RISK MANAGEMENT POLICY

- Encourage a culture within the Department that is intolerant to unethical conduct, fraud, and corruption; and
- Ensure the development of a mature risk management culture in terms of which every line manager and employee across the department, thus taking a role in the management of risks within their areas of responsibilities, and escalating those risks that are beyond the scope of their authority or available resources'.

An entity-wide approach to risk management will be adopted by the department, 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 process will become embedded into the department's systems and processes, ensuring that our responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the department's objectives, equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

### 6. RISK APPETITE STATEMENT

The Department acknowledges that it will not achieve its objectives and service delivery obligations without taking risks. The only question is how much risk and risk types must be consciously taken and managed to avoid downfalls associated with negative risks. In this regard, every line manager and employee across the Department are risk managers and thus responsible for the management of risks within their areas of responsibility, and to escalate risks that are beyond the scope of their authority or available resources.

Hence cost versus benefits analysis/theory is vital and considered during the process of designing and implementing controls to eliminate and mitigate the identified risks. The department has adopted the risk matrix ratings which are outlined in the risk management strategy.

The Department's determined level of acceptable risk or the risk that the Department is willing to accept or operate within (risk appetite) is at a minimum level. All risks that are at a medium to maximum level will be treated. Treatment plans will be developed and implemented for mitigation.



## 7. ROLE PLAYERS

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

### 7.1 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 the impact of risks.

### 7.2 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.

### 7.3 Risk Management Committee

The Risk Management Committee (RMC) is appointed by the Accounting Officer to assist them to discharge their responsibilities with regards to risk management. The RMC's roles and responsibilities are outlined in the Risk Management Committee Charter and include the responsibility to review the progress and maturity of risk management progress, the effectiveness of risk management activities, the key risks facing the department, and the responses to address these key risks.

### 7.4 Accounting Officer

The Accounting Officer 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 Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

### 7.5 Management

Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management into the operational routines.



## 7.6 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.

## 7.7 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.

## 7.8 Risk Champion

A risk champion is defined as 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". 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.

## 7.9 Provincial Risk Management Unit

The Provincial Risk Management Unit monitors and assesses the implementation of risk management, build risk management capacity and enforce the PFMA and prescribed National and Provincial norms and standards.

## 7.10 Internal Audit

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

## 7.11 External Audit

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





## 8. POLICY REVIEW

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

## 9. RECOMMENDATION AND APPROVAL

The Risk Management Policy is recommended by the Risk Management Committee and approved by the Head of Department.

Recommended by the Risk Management Committee:

Signature:

Date:

21/04/23

Approved by the Head of Department:

Signature:

Date:

26/04/23