

RISK MANAGEMENT POLICY

2025/2026



public works & roads

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

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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. This policy outlines the Department's approach to identifying, assessing, and managing risks in line with the provisions of relevant legislation and regulations.

The Department of Public Works and Roads (DPWR) is required to comply with the following key provisions in the Public Finance Management Act (PFMA) 1999 and associated regulations to ensure sound risk management practices:

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|--------------------------------------|---|
| Section 38 of the PFMA (1999) | Accounting Officer must ensure the maintenance of effective, efficient, and transparent system of risk management and internal control within the Department. |
| Treasury Regulation 3.2.1 | The Accounting Officer must ensure that regular risk assessments are conducted to identify emerging risks and evaluate their potential impact on the Department's operations. |

2. LEGISLATIVE MANDATE

The mandate for this Policy is derived from the following key legislative, regulatory, and governance frameworks:

- Public Finance Management Act, No. 1 of 1999 as amended;
- The Public Sector Risk Management Framework, 2012;
- Treasury Regulations;
- The King Code of Governance Principles for South Africa, 2016 (King IV);
- International Standards Organizations Organisations (ISO 31000): Risk Management – Guidelines.
- Public Service Risk Management Framework (PSRMF);
- IFAC International Standards on public sector accounting and governance.
- The COSO (Committee of Sponsoring Organisations of the Tread-way Commission) Enterprise Risk Management Framework;

3. RISK MANAGEMENT OBJECTIVES

- To embed a culture of proactive risk management at all levels of the organization.
- To ensure that the Department's objectives and resources are protected from potential risks.



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- To enhance decision-making by incorporating risk considerations into strategic planning and day-to-day operations.

4. RISK AND RISK MANAGEMENT

Risk refers to an unwanted outcome, whether actual or potential, to the department's service delivery and other performance objectives. This outcome is 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 within this definition of risk.

Risk involves the potential for both negative and positive outcomes, and these outcomes are influenced by uncertainty, which can impact the achievement of an organization's objectives.

Risk Management is a continuous and proactive process, carried out by management and other personnel, applied in strategic planning and across the department. It is designed to identify potential events that may affect the Department, manage risks within its risk tolerance level, and ultimately to provide reasonable assurance that the Department's objectives will be achieved.

Risk management is defined as the coordinated activities to direct and control an organization with regard to risk. It involves identifying, assessing, and treating risks to minimize their impact on the organization's objectives. The standard emphasizes integrating risk management into the organization's overall governance and decision-making processes.

4.1 Desired Outcomes

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

- Sustainable and reliable service delivery;
- Informed and reliable decision-making and planning, underpinned by appropriate rigor and analysis;
- Enhanced governance, leading to increased stakeholder confidence and trust;
- Effective allocation and efficient use of resources;
- Reduction in wastage, losses, and poor value for money;
- Prevention of fraud and corruption; and
- Improved health and safety in the working environment.
- Enhanced compliance with legal and regulatory requirements
- Continuous improvement and innovation



5. PURPOSE OF THE POLICY

The purpose of this Policy is to articulate the Department's approach to risk management, which is a continuous, proactive process involving management and all personnel. This process is embedded in strategic planning and implemented across the Department. It is designed to:

- Identify potential events and risks that may affect the Department's operations, objectives, and service delivery;
- Assess and manage risks to ensure they remain within the Department's established risk tolerance levels;
- Provide a structured approach to risk mitigation, ensuring that risks are addressed in a timely and effective manner;
- Enhance decision-making and governance by integrating risk considerations into all aspects of the Department's activities; and
- Provide reasonable assurance that the Department's objectives, both short-term and long-term, will be achieved, and that the Department can respond effectively to emerging risks and opportunities.

This Policy aims to create a risk-aware culture within the Department, where all stakeholders understand their role in managing risk, and where proactive risk management supports the achievement of the Department's strategic and operational goals.

6. APPLICABILITY OF THE POLICY

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

7. THE POLICY AND ITS OBJECTIVES

The successful realization of our strategic plan relies on our ability to take calculated risks in a manner that does not compromise the interests of stakeholders. Effective risk management will enable us to anticipate and respond to changes in our service delivery environment, while making informed decisions under conditions of uncertainty.

We are committed to the fundamental principle that all resources will be applied efficiently to achieve the following objectives:

- Create an environment that ensures compliance with key statutory requirements and best practices in risk management;
- Recognize risk management as critical to the achievement of the department's service delivery goals;
- Identify, assess, quantify, mitigate, and manage both current and future material risk exposures facing the department;



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- Foster a culture that is intolerant of unethical conduct, fraud, and corruption;
- Promote the development of a mature risk management culture, where every line manager and employee plays a role in managing risks within their areas of responsibility and escalates risks that fall beyond their authority or available resources.

The department will adopt an **enterprise-wide approach** to risk management, meaning that all key risks across the department will be incorporated into a structured and systematic process.

We expect the risk management process to become deeply embedded in the department's systems and operations, ensuring that our responses to risk remain relevant, adaptive, and effective. All risk management efforts will be aligned with the department's strategic objectives and will focus equally on compliance with applicable legislation, as well as meeting the expectations of employees, communities, and other stakeholders regarding corporate governance.

8. RISK APPETITE STATEMENT

The Department acknowledges that achieving its objectives and fulfilling its service delivery obligations inherently requires taking risks. The key consideration is not whether to take risks, but rather how much risk and which types of risks should be consciously accepted and managed to minimize potential negative impacts while maximizing opportunities.

A critical element of effective risk management is conducting cost-benefit analyses to evaluate the value of controls in mitigating or eliminating identified risks. This process is integral to the design and implementation of risk controls. The Department utilizes a risk matrix to evaluate, prioritize, and categorize risks, as outlined in the Department's Risk Management Strategy.

The Department has established a defined **risk appetite**, which represents the level of risk it is willing to accept in the pursuit of its objectives. Risks that fall within **acceptable** levels, typically low or minor in impact, are considered manageable and are monitored accordingly. However, risks categorized as **medium to high** will not be accepted and must be subject to treatment to reduce them to an acceptable level. The Department commits to developing and implementing treatment plans to mitigate risks that exceed the defined thresholds.

In summary, the Department aims to operate within a controlled risk environment where risks are proactively identified, assessed, and managed. The Department is dedicated to balancing operational efficiency with the necessary safeguards to minimize adverse consequences and seize opportunities, ensuring that risks remain aligned with organizational objectives.



9. COMPLIANCE MANAGEMENT POLICY STATEMENT

The Department is committed to achieving its vision with the highest standards of integrity, professionalism, and accountability. It strives to enhance stakeholder value by ensuring transparent communication, upholding its commitments, and conducting its operations in an ethical, responsible, and honest manner.

In line with its commitment to accountability, the Department aims to discharge its mandate in full compliance with all relevant legislation, regulations, and best practice standards. The Department adopts the fundamental principle that resources should be applied responsibly to establish and sustain a culture of compliance. This culture is not viewed as a mere checklist of tasks but as an integral part of the Department's day-to-day operations and decision-making processes.

The Department recognizes that compliance is a dynamic and ongoing responsibility, which requires continuous monitoring, assessment, and improvement. It is committed to fostering an environment where compliance is embedded in the organizational culture, promoting ethical behavior, risk awareness, and a proactive approach to meeting regulatory requirements.

10. ROLE PLAYERS

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

10.1 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.

10.2 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 regarding risk management are formally defined in its charter. The Audit Committee provides an independent and objective view of the department's risk management effectiveness.

10.3 Risk Management Committee

The Risk Management Committee (RMC) is appointed by the Accounting Officer to assist them in discharging their responsibilities regarding 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



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management progress, the effectiveness of risk management activities, the key risks facing the department, and the responses to address these key risks.

10.4 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.

10.5 Management

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

10.6 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.

10.7 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 in embedding risk management and leverage its benefits to enhance performance.

10.8 Risk Champion

A risk champion is defined as a person who by 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 cooperation by Management and other officials and the lack of departmental skills and expertise.

10.9 Provincial Risk Management Unit

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



10.10 Internal Audit

The role of the Internal Audit in risk management is to provide an independent, objective assurance of 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.

10.11 External Audit



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

11. POLICY REVIEW

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

12. POLICY MAINTENANCE

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

| DESIGNATION | NAME | SIGNATURE | DATE |
|---------------------------------------|------------------|--|---------------|
| RECOMMENDATION | | | |
| Risk Management Committee Chairperson | Mr. M. Buwa |  | 18 March 2025 |
| APPROVAL | | | |
| Head of Department | Mr. M.I. Kgantsi |  | 25/04/25 |

