Department of Social Development

Enterprise Risk Management Policy for 2020/25

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A. INTRODUCTION

The Accounting Officer has committed the Department of Social Development 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 and the Western Cape Government Enterprise Risk Management Policy Statement, approved by Provincial Top Management on 14 March 2017. The Department applies its risk management process in line with the National Treasury Public Sector Risk Management Framework, which has at its core the principles of the COSO Enterprise Risk Management Integrated Framework, further enhanced by the ISO 31000:2009 Risk Management Standard where relevant.

B. LEGISLATION

In terms of Section 38 (1) (a) of the Public Finance Management Act, "The Accounting Officer for a Department, trading entity or constitutional institution must ensure that the Department, trading entity or constitutional institution has and maintains – (i) effective, efficient and transparent systems of financial and risk management and internal control".

Section 3.2.1 of the National Treasury Regulations further stipulates that "The Accounting Officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution. A Risk Management strategy, which must include a fraud prevention plan, must be used to direct Internal Audit effort and priority and to determine the skills required of managers and staff to improve controls and to manage these risks". It further states that "The strategy must be clearly communicated to all officials to ensure that the risk management strategy is incorporated into the language and culture of the institution".

Risk Management is an integral part of good Governance and it enables value creation and protection through strengthening the Accounting Officer's decision-making ability.

C. GOVERNANCE

Enterprise risk management is approached from a governance perspective. The principal goal of governance improvement is to ensure that the Department continues to create value for the Western Cape Government (WCG) citizen through achieving its strategic objectives whilst exploiting opportunities and managing risks.

Risk Management and Opportunity Management go hand in hand. The King report for example defines risk as "….uncertain future events that could influence, both in a negative and positive manner, the achievement of the companies objectives." It states that risk arises as much from failing to capture opportunities when pursuing strategic objectives as it does from a threat that something bad will happen.

Opportunities that arise will be identified when necessary and managed within the risk management process.

D. RISK AND OPPORTUNITY 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. In short, risk is the effec[1]t of uncertainty on objectives, including opportunities.

Risk management is a systematic and formalised process instituted by the department to identify, assess, manage and monitor risks.

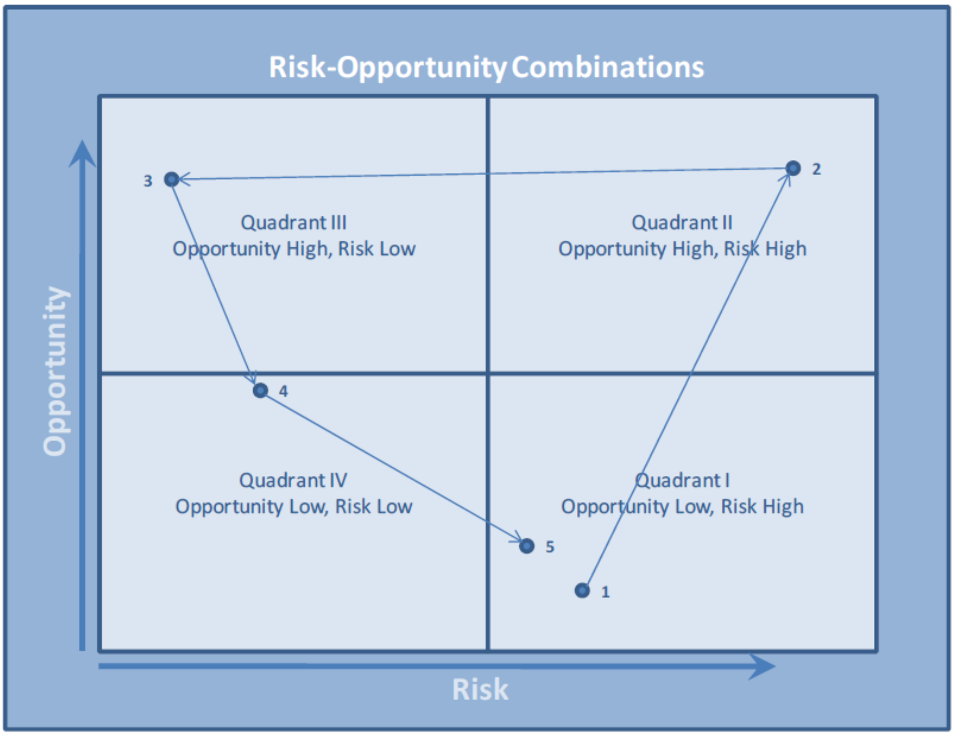

Diagram A: Depicting Risk vs Opportunity Graphically

Since opportunities arise from risks, this means that opportunities will be incorporated in the same process as followed with managing risk. The contributing factors and the impacts of opportunities will be identified as well as its associated controls and treatments. The value of rating the opportunity against the effort required does not warrant the rating exercise at this initial stage. Once a list of opportunities present itself then a rating exercise will become worthwhile against the competing opportunity list.

The risk-opportunity matrix in the diagram above demonstrates the lifecycle of opportunities. New opportunities usually start in quadrant I, example the opportunity to purse new technology. At this stage it's a low opportunity and high risk. It then moves into quadrant II. In these two phases it will probably only be adopted by those with a high risk appetite. Soon it moves into quadrant III, where opportunities are high but risk is low, in this stage it experiences general acceptance. Because of its general acceptance opportunities are exhausted and it moves to quadrant IV, soon to be replaced by new technology or enhanced technology, in which case it moves back into quadrant I and the cycle starts again

Once an assessment is completed of the opportunity. This will be presented to the risk management committee and after consultation included in the risk register.

E. BENEFITS OF RISK MANAGEMENT

The Department implements and maintains effective, efficient and transparent systems of risk management and internal control. Risk management will assist the department to achieve, among other things, the following outcomes needed to underpin and enhance performance:

- more sustainable and reliable delivery of services;
- informed decisions underpinned by appropriate rigour and analysis;
- innovation;
- reduced waste;
- prevention of fraud, theft and corruption;
- better value for money through more efficient use of resources; and
- better outputs and outcomes through improved project and programme management.

F. PURPOSE OF THE POLICY

The purpose of this Policy is to articulate the Department's risk management philosophy and appetite. The Department recognizes that risk management is a systematic and formalised process to identify, assess, manage and monitor risks and therefore adopts a comprehensive approach to the management of risk. The Department embraces intelligent risk taking and recognizes that risk can have both positive and negative consequences. Risks will be managed in a way that effectively manage potential opportunities and adverse effects to the Department.

G. SCOPE OF THE POLICY

This policy applies throughout the department in as far as risk management is concerned.

H. THE POLICY

The realisation of the Department's strategic plan depends on the department being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk will enable the department to anticipate and respond to changes in its service delivery environment, as well as take informed decisions under conditions of uncertainty.

The Department subscribes to the fundamental principles that all resources will be applied economically to ensure:

- The highest standards of service delivery;
- A management system containing the appropriate elements aimed at minimising risks and costs in the interest of all stakeholders;
- Education and training of all staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholders expectations; and
- Maintaining an environment, which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

An institution-wide approach to risk management is 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 identification, analysis and evaluation. Risk management will be fully integrated with the departmental strategic and annual planning processes. It is expected that the risk management processes will become embedded into the department's systems and processes, ensuring that our responses to risks remain current and dynamic. All risk management efforts will be focused on supporting the departmental objectives. Equally, they will ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of governance.

I. ROLE PLAYERS

Every employee is responsible for executing risk management processes and adhering to risk management procedures adopted by the department management in their areas of responsibilities.

a) RISK MANAGEMENT OVERSIGHT

i) 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 significant risks.

ii) Audit Committee

The Audit Committee is an independent committee responsible for oversight of the department's governance, risk management and control processes. The Department is served by the Social Cluster Audit Committee and the Committee's responsibilities with regard to risk management are formally defined in the Audit Committee Terms of Reference for the WCG, approved by Cabinet. The Audit Committee provides an independent and objective view of the department's risk management effectiveness.

iii) Risk Management Committee

The Risk Management Committee is appointed by the Accounting Officer to assist him to discharge his responsibilities for risk management. The responsibilities of the Risk Management Committee are formally defined in its Terms of Reference approved by the Accounting Officer and on a high-level entails the review of the risk management progress and maturity of the department, the effectiveness of risk management activities, the key risks facing the department, and the responses to address these key risks.

b) RISK MANAGEMENT IMPLEMENTERS

i) Accounting Officer

The Accounting Officer is ultimately 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.

ii) Management

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

iii) 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.

c) RISK MANAGEMENT SUPPORT

i) 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. This function is executed by the Directorate: Enterprise Risk Management in the Corporate Services Centre.

ii) Risk Champion

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. The Risk Chamption should provide guidance and support to manage "problematic" risks and risks of a transversal nature that require a multiple participant approach within the department

d) RISK MANAGEMENT ASSURANCE PROVIDERS

i) Internal Audit

The role of Internal Audit in risk management is to provide an independent, objective assurance on the effectiveness of the department's system of risk management. Internal Audit must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary. This will be considered in line with the risk profile of each department at the time of planning the internal audit coverage for the department.

ii) External Audit

The Auditor-General of South Africa reviews the risk management process to ensure it complies with the requirements of section 38(1)(a)(i) of the Public Finance Management Act. They furthermore consider risks during the strategic and detailed planning processes of the regularity audit.

iii) Internal Control

The Internal Control Unit renders the secreteriate service for the internal Enterprise Risk Management Committee (ERMCO).

J. POLICY REVIEW AND ADOPTION

The Policy shall be adopted after its formal approval by the Accounting Officer and shall remain effective for the next five years, thus aligning to the 5 strategic planning process. A review every second year shall take place to include any changes that become necessary, to reflect the current stance on risk management.

Recommended by the Social Cluster Audit Committee:

___electronically signed__

Mr A Amod

Chairperson of the Audit Committee

Date: 26 March 2020

Approved by the Accounting Officer:

Dr R Macdonald

Signature: ______________________

Date: ______________________