

social development

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INTERNAL MEMO

To	The Head of Department Ms. E. Botes
From	The Acting Executive Manager: Corporate Services Ms. E. Summers
Date	21 June 2013
Ref	H 2.2.2.1

Subject	Approval of Revised Risk Management Strategy
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Dear Madam

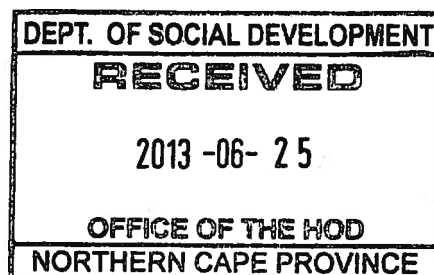
Attached for your consideration and approval by your good self, the departmental Revised Risk Management Strategy, which has gone through the relevant consultative process.

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

Kind regards

E. Summers

MS.E.SUMMERS
ACTING EXECUTIVE MANAGER: CORPORATE SERVICES





social development

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INTERNAL MEMO

To	Ms E. Summers Stratigic Support Management
From	Mr. Z. Albanie Chief Director: Corporate Services
Date	18 June 2013
Ref Number	

Subject	ACTING CHIEF DIRECTOR: CORPORATE SERVICES
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Dear Ms E. Summers

Kindly note that Mr. Albanie will be on annual leave as of Tuesday, 18 June 2013 to the 28 June 2013.

You are hereby appointed to act as Chief Director for Corporate Services for the duration of the 18 June 2013 to the 21 June 2013.

All the authority that is usually delegated to Mr. Albanie is now delegated to yourself during his absence.

Hope you find the above mentioned in order.

Thanking You

Regards

Ms. T. Makapela for
Mr. Z. Albanie
Chief Director: Corporate Services
Department of Social Development




An Integrated Social Development approach that enhances sustainable livelihoods



Approval

The Revised Risk Management Strategy for the Department of Social Development is approved by the Head of Department and shall come into effect from date of approval thereof.



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E.BOTES

Head of Department

2013-06-27
.....

DATE



social development

Department:
Social Development
NORTHERN CAPE

NORTHERN CAPE

DEPARTMENT OF SOCIAL DEVELOPMENT

REVISED RISK MANAGEMENT STRATEGY



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1. Introduction

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

Section 38(1)(a)(i) of the Public Finance Management Act, supplemented by the relevant Treasury Regulations, and public sector risk management framework requires an Accounting officer of a Department to establish a risk management system. In compliance with this requirement, the Department of Social Development shall incorporate the application of risk management strategies, processes, plans, practices and the risk management infrastructure.

Effective risk management is imperative to the Department to fulfill its mandate, the service delivery expectations of the public and the improvement of the expected performance within the Department. The realization of the strategic plan/objectives depends on the ability to take calculated risks in a way that does not jeopardize the direct interests of stakeholders.

Sound management of risk will enable the Department to anticipate and respond to changes in our service delivery environment, as well as take informed decisions under conditions of uncertainty. The Department subscribe to the fundamental principles that all resources will be applied efficiently, effectively and economically.

2. Vision

To deliver effective and efficient risk management and fraud prevention services.

3. Mission

To improve the performance of the Department by implementing the risk management and fraud prevention systems to protect the state against adverse outcomes and optimize opportunities.

4. Strategic Goals of the Risk Management Function

The role or function of Risk Management is to develop and facilitate the implementation of effective risk management processes.

The goal is to ensure that effective risk management shall provide assurance to management in mitigating the identified risks and minimize the operational surprises.

5. Status of risk management in the department

Risk assessment was conducted for all state run institutions, districts and chief directorates and risk registers were developed. The Department acknowledges that there is a lot that still needs to be done with regards to the implementation of the methodologies of Risk Management in order to reach maturity level in terms of Risk Management.

6. Plan of action to improve departmental risk management maturity

The department aim the following in order to enhance its maturity level in terms of Risk Management and implementation of the policy:

6.1 *Methodologies, practices and standards:*

The department shall provide for calculations, prioritization, matrix application, trend patterns, warning signals, best business practices, principles, uniform standards and templates in executing and facilitating annual risk assessment exercise and monitoring processes.

6.2 *Risk Management Framework:*

The department shall execute and formulate an appropriate framework or plan for implementation process of Risk Management within the department, including reporting responsibilities and obligations.

6.3 *Risk Management Committee operations:*

The Committee's role is to review 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. The responsibilities of the Risk Management Committee are formally defined in its charter.

6.4 *Reporting and monitoring measures:*

The department shall formally set reporting measures on templates or registers for compliance to monitor movement trends and risk progress. The reporting on risk registers shall be as follows:

- Operational risk registers report on quarterly basis
- Strategic risk register report on quarterly basis

The Risk Management Unit reports directly to the Chief Financial Officer of the Department and to the Risk Management Committee in terms of implementation of Risk Management methodologies.

The key performance area on risk management shall be included in the performance agreement of all managers within the department.

The effectiveness of risk management operations and processes shall be monitored by the unit on a continuous basis. All risk management efforts must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

6.5. *Risk Management cycle*

The department shall develop risk management cycle or plan in order to implement the process of risk management timeously.

6.6 *To incorporate the Fraud Prevention Plan:*

The department shall develop the Fraud Prevention Policy, Plan and strategy to establish the various methods and procedures for fraud prevention initiatives within the department and to ensure that the risk assessment exercise incorporates fraud risks or facilitates a fraud risk assessment exercise.

6.7 *Establish methods to communicate risk awareness and marketing initiatives:*

To communicate the risk management policy and its implementation via the meetings and workshops. To develop regular newsletter articles, brochures, pamphlets and or utilising other communication methods such as e-mails etc.

6.8. *The embedding of the practices into the normal management processes.*

In order to ensure adequate accountability and responsibility from management, risk management should form an integral part of all management operations including being a formalised key performance area for the entire department preferably from a level 9 upwards.

Part of embedding risk management within the normal management processes is to appoint risk champions for the organisation who would be responsible to account for the risk operations under their area of responsibility and report risk progress to the appointed risk owner who will be responsible for the ultimate accountability in terms of the risk operations.

6.9. *Risk Culture*

The risk culture is the set of shared attitudes, values and practices that characterize how a department considers risk in its day-to-day activities.

Management should strive towards establishing a risk management culture that explicitly considers risks in its day-to-day activities and ensure that all operations such as the strategic planning session are aligned with the risk assessment process.

Management integrity and values is also a core essential or prerequisite to create a risk culture within the Department that is based on ethical behaviour in all aspects of the department's activities. The effectiveness of risk management cannot rise above the integrity and ethical values of those who create administer and monitor the activities.

7. **Architecture of risk management**

7.1. *Drivers of risk management*

Risk management is driven by the following Legislative mandates:

- Section 38(1) (a) (i) of the Public Finance Management Act (PFMA)
- Section 3.2 of the Treasury regulations
- Department of Social Development risk management framework
- Public sector risk management framework
- King III on Corporate Governance
- Batho Pele Principles

7.2. *Enablers of risk management*

For the department to have effective risk management there must be competent people, technology and funding. The department is currently utilizing the Excel Spreadsheet system to manage risks as Barn Owl system is not easily accessible. Also risk management is enabled by the following:

- Risk Management Policy and implementation plan thereof,
- Risk management Strategy,
- Fraud Prevention Policy, its Prevention Plan
- Fraud prevention strategy.

7.3. *Implementers, support providers, assurance providers and oversight providers of risk management*

Accounting Officer: 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 shall create a positive control environment by the following:

- a) Delegating responsibilities for risk management to Management and internal formations such as the Risk Management Committee, Fraud Prevention Committee, Finance Committee, Information and Communication Technology Committee and hold them accountable in terms of their responsibilities for risk management.
- b) Holding Management accountable for designing, implementing, monitoring and integrating risk management into their day-to-day activities;
- c) Providing leadership and guidance to enable Management and internal structures responsible for various aspects of risk management to properly perform their functions.

Management: Management shall be responsible for executing their responsibilities including managing the risks and integrating risk management into the operational routines. Management refers to all the levels of management within the department from junior management level to senior management level and their responsibilities include:

- a) Executing their responsibilities as set out in the risk management roles and responsibility delegation;
- b) Empowering officials to perform effectively in their risk management responsibilities through proper communication of responsibilities and comprehensive orientation;
- c) Overseeing the management of key risks within their area of responsibility;
- d) Providing risk management reports;
- e) Presenting to the Risk Management and Audit Committees as requested;
- f) Maintaining the proper functioning of the control environment within their area of Responsibility;
- g) Monitoring risk management within their area of responsibility; and
- h) Holding officials accountable for their specific risk management responsibilities.

Other Officials: Other officials shall be 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 and also should:

- a) Apply the risk management processes in their respective functions;

- b) Implement the delegated action plans to address the identified risks;
- c) Inform their supervisors and/or the Risk Management Unit of new risks and significant changes in known risks; and
- d) Co-operate with other role players in the risk management process and providing information as required.

Chief Risk Officer: The Chief Risk Officer shall be 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.

Risk Champion: The Risk Champion shall provide guidance and support to the Risk Owner where there is:

- a) Lack of cooperation by management and officials.
- b) Lack of skills and expertise in mitigating the identified risks.

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

External Audit: The external auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management.

Risk Management Committee: The Risk Management Committee shall be appointed by the Accounting Officer to assist them to discharge their responsibilities for risk management. The committee shall meet on quarterly basis.

The role of the Committee is to:

- a) Review the risk management progress and maturity of the department,
- b) Review the effectiveness of risk management activities in the department,
- c) Review the key risks facing the department and the responses to address these key risks.

The responsibilities of the Risk Management Committee are formally defined in its charter.

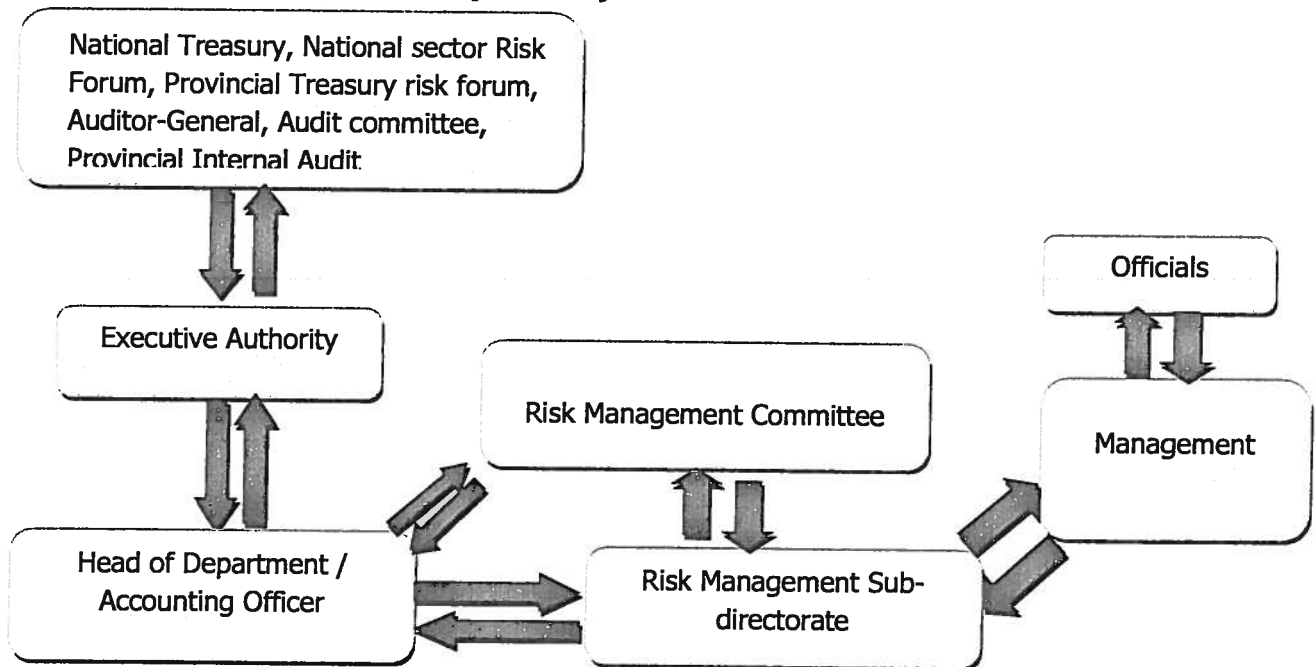
Executive Authority: The Executive Authority takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the department against significant risks.

Responsibilities of the Executive Authority in risk management include:

- a) Ensuring that the Departmental strategies are aligned to the government mandate;
- b) Obtaining assurance from management that the Department's strategic choices were based on a rigorous assessment of risk;
- c) Obtaining assurance that key risks inherent in the Department's strategies were identified and assessed, and are being properly managed;
- d) Assisting the Accounting Officer to deal with fiscal, intergovernmental, political and other risks beyond their direct control an influence; and
- e) Insisting on the achievement of objectives, effective performance management and value for money.

8. Risk Management reporting lines

8.1. Risk Management Responsibility Process Flow



8.2. Internal reporting lines of Risk Management



9. Risk Management User guidelines

9.1. Standard Operating Procedure Manual:

The standard operating procedure manual shall be developed to ensure uniformity of operations and internal training and standards for risk officials within the unit.

9.2. Risk Management tool:

The risk management tool shall be developed to establish standards and methods for management to set the risk appetite and risk tolerance levels in the organisation as boundaries for management to work within. These boundaries will determine if the identified risks will be acceptable, unacceptable, be transferred, shared etc.

9.3. *Training manuals to educate the level of understanding:*

The training manuals shall be developed to educate the level of understanding within the department that will ensure adherence and a common language understanding for adequate implementation of risk management. It will be eminent to review the training manual that will target the audience in terms of the specific training requirements.

9.4. *Empowerment of junior, middle & senior management:*

Management team shall be capacitated in field of risk management for adequate implementation and adherence to risk management practices and policies. It will further ensure the adequate identification of possible risk events, mitigation strategies, improvement strategies, preventative controls, contingency planning exercises, adequate performance management and improved service delivery.

10. Risk Management processes

10.1. *Facilitation and alignment of the Risk Assessment Exercise with strategic operations:*

In order to ensure a successful risk management practices and process within a department it is essential to ensure that the process is aligned with the Strategic planning process of the Department and that an annual risk assessment exercise should always follow a strategic planning session.

10.2. *Minimum communication and capacity*

To establish, implement, monitor and evaluate risk management practices, it is essential to set a minimum communication for the department and minimum capacity within a programme function to ensure and monitor the successful implementation process and the trend of adherence. Personnel within the Risk management unit should be acquainted with skills and expertise to drive the risk management processes.

11. Detailed risk management implementation plan

The risk management implementation plan for the department was reviewed to give effect to the implementation of the risk management policy and strategy and sets out all risk management activities planned for the financial year attached below.

12. Strategy review

The policy and underlying strategies will be reviewed at least annually to ensure its continued application and relevance.

12. Date of application

The strategy is applicable from the approval date of the current financial year. Every employee has a part to play in this important endeavor and we look forward to working with you in achieving these aims.