

**DEPARTMENT
OF
TRANSPORT, SAFETY AND LIAISON**



RISK MANAGEMENT POLICY

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1. PURPOSE

This policy is aimed, among other things, to:

- 1.1 Communicate the Department's stance regarding risk management.
- 1.2 Provide reasonable assurance that the risks that threaten the achievement of Departmental objectives are effectively managed.
- 1.3 Promote the adoption of sound risk management practices within the Department of Transport, Safety & Liaison.

2. LEGISLATIVE MANDATE

- 2.1 The Public Finance Management Act (PFMA), Sec 38(1) a (i), requires that the Accounting Officer for a Department must ensure that a department has and maintains effective, efficient, and transparent systems of financial and risk management and internal control.
- 2.2 Treasury Regulations indicate that the Accounting Officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution.

3. APPLICATION

- 3.1 The principles contained in this policy will apply to all employees of the Department whether appointed on permanent or temporary/contract basis as well as officials enrolled in the internship/ learnership programs.
- 3.2 This policy will further be applied to all operational activities of the Department, taking into consideration external strategic risks arising from or related to other government departments and the public as well as internal risks.
- 3.3 Since effective risk management is the responsibility of all officials in the Department, it is of vital importance that it should be incorporated into Senior Managers' performance agreements as well as job descriptions of key personnel. This must be in line with the prescripts regulating performance agreements and Employee Performance Management and Development System (EPMDS).

4. GENERAL PRINCIPLES OF RISK MANAGEMENT IN THE DEPARTMENT

- 4.1 All risk management activities will be aligned to Departmental aims, objectives and priorities, and aims to protect and enhance the reputation and standing of the department.
- 4.2 Risk analysis will form part of the departmental strategic and operational planning processes.
- 4.3 Managers and staff at all levels will have the responsibility to identify, evaluate and manage or report risks and will be equipped to do so.
- 4.4 Risk management in the department should take a proactive approach and where possible avoid risks rather than dealing with their consequences.
- 4.5 In determining an effective response to risk, the cost of controls and the impact of risks occurring will be balanced with the benefits of reducing the risk. This is to ensure that there are no situations where the cost or effort of implementing or putting in place controls is higher than the impact or expected benefits.

5. RISK TOLERANCE

- 5.1 The Executive Authority, the Accounting Officer and management should encourage the taking of controlled risks, the grasping of new opportunities and the use of innovative approaches to further the interests of the department and achieve its objectives provided that the resultant exposures are within the department's risk tolerance range.
- 5.2 The Chief Risk Officer working with Senior Management will determine the departmental risk tolerance level and the rational or methodology thereof should be outlined in detail in the risk management strategy.

6. RISK ASSESSMENT

- 6.1 Risk assessment allows a department to consider how potential events might affect the achievement of objectives. Officials assess these events by analysing the likelihood and its impact on Departmental operations.
- 6.2 The Department of Transport, Safety & Liaison will conduct the departmental risk assessment annually with a review or re-assessment of the risks conducted on quarterly basis to ensure maximum mitigation thereof. The risk assessment exercise will be conducted as per the Departmental risk assessment methodology developed and adopted by Management.

7. ROLES AND RESPONSIBILITIES

All Departmental officials have responsibility for risk management; however, management must take the lead in risk mitigation processes while the Risk Management Directorate will facilitate. The roles and responsibilities could be categorized as follows:

7.1 Executive authority

In relation to a Provincial Department, the PFMA defines the Executive Authority in section 1, as the member of the Executive Council of a Province who is accountable to the provincial legislature for that Department.

The Executive Authority provides oversight with regard to risk management by:

- 7.1.1 Knowing the extent to which management has established effective risk management in the department;
- 7.1.2 Being aware of and concurring with the department's risk tolerance;
- 7.1.3 Reviewing the department's portfolio view of risks and considering it against the department's risk tolerance; and

- 7.1.4 Being aware of the most significant risks facing the Department and whether management is responding appropriately.

7.2 Management and Accounting Officer

The Accounting Officer is ultimately responsible for and must take “ownership” of risk management. The Accounting Officer sets the “tone at the top” that affects integrity, ethics and fulfills this duty by providing leadership and direction to senior managers and reviewing the way they manage the Department.

It is therefore imperative that among other things, the Accounting Officer is responsible for:

- 7.2.1 Ensuring that a departmental risk management policy and strategies are developed.
- 7.2.2 Ensuring that sound systems of risk management and internal controls are established and maintained.
- 7.2.3 Seeking regular assurance that the internal control systems are effective in managing risks in accordance with the established departmental policies.

The Departmental Management on the other hand is responsible but not only limited to the following:

- 7.2.4 Integrating risk management into the planning, monitoring and reporting processes and the daily management of programs and activities.
- 7.2.5 Determining the Departmental acceptable risk levels and maintain the functional risk profile within such levels.
- 7.2.6 Creating a culture where risk management is encouraged, practiced and maintained.

7.3 Chief Risk Officer (CRO)

The Directorate for Risk Management serves as the Office of the Chief Risk Officer for the Department. Over and above the oversight role performed in the Department, the DTSL CRO has the following responsibilities:

- 7.3.1 Facilitate and coordinate all Directorates risk management processes.
- 7.3.2 Develop risk assessment methodology.
- 7.3.3 Communicate risk management policies and strategies.
- 7.3.4 Work with other managers in establishing and maintaining effective risk management in their areas of responsibility.
- 7.3.5 Monitoring progress and assisting other managers in reporting relevant risk information.
- 7.3.6 Compiling reports to the Departmental Risk Management Committee.

7.4 Internal Auditors

Internal audit and risk management are two functions that are complementary; however, the following are identified as the roles Internal Audit should play regarding risk management:

- 7.4.1 Evaluating the effectiveness of risk management processes
- 7.4.2 Evaluating the reporting of key risks
- 7.4.3 Reviewing the management of key risks and where possible, provide recommendations.
- 7.4.4 Reviewing the appropriateness of the risk tolerance levels
- 7.4.5 Utilizing the results of the risk assessment to develop a three (3) year strategic rolling internal audit plans

7.5 Provincial Treasury: Risk Management

The Provincial Treasury provide hands-on-support to the department in terms of the following:

- 7.5.1 Develop/ review risk management implementation plan.
- 7.5.2 Recommends risk management structures.
- 7.5.3 Develop/ review risk management policy/strategy.
- 7.5.4 Assist with facilitating risk assessment.
- 7.5.5 Assist with risk response & tolerance.
- 7.5.6 Assist with identification of emerging risk.
- 7.5.7 Conduct risk awareness programs.

7.5.8 Assist with the improvement on governance matters especially risk management.

7.5.9 Ensure and monitor compliance with the Public Sector Risk Management Framework.

7.6 Personnel

Responsibilities of personnel shall be the following:

7.6.1 Applying risk management processes to their respective roles.

7.6.2 Participating in risk identification and assessment process of their directorates.

7.6.3 Report risks to management on a timely basis.

7.6.4 Adhere to the code of conduct.

7.6.5 Implementation of risk responses to address the identified risks.

7.7 External Parties

External parties, for example, external auditors bring an independent and objective view, contributing directly through the financial statement audit and internal control examinations, and directly by providing additional information useful to management and the Executive Authority in carrying out their responsibilities. The Auditor General also provides independent assurance on the effectiveness of the risk management activities.

External parties, however, are not responsible for the department's risk management.

7.8 Audit Committee

The Head of Department will as per invitation, report to the Audit Committee of which its responsibilities are inter alia to:

7.8.1 Review the risk profile and management action plans to address the risks.

7.8.2 Review and recommend any risk disclosures in the annual financial statements.

7.8.3 Provides regular feedback to the Accounting Officer on the effectiveness of the risk management process implemented.

7.8.4 Review and ensure that the internal audit plans are aligned to the risk profile of the Department.

7.9 Risk Management Committee

The Risk Management Committee reports to the Accounting Officer and will carry out its responsibilities as stipulated in the Risk Management Committee Charter.

The following are key responsibilities of this committee:

- 7.9.1 Review and recommend the Risk Management Charter, Policy, Strategy and Methodology for approval by the Accounting Officer;
- 7.9.2 Review the risk appetite / tolerance and recommend for approval by the Accounting Officer;
- 7.9.3 Review the Department's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
- 7.9.4 Oversee the performance of the risk management function.

8. REPORTING

- 8.1 Senior Managers should be appointed as risk owners who shall also be risk champions and will be required to report quarterly on progress relating to mitigation of risks related to their directorates.
- 8.2 The Chief Risk Officer will in consultation with relevant managers develop risk mitigation action plans that will enhance effective management of identified risks.
- 8.3 The reporting format designed by the CRO and agreed upon by risk owners will be used for the purposes of regular reporting to Mancom and RMC to ensure implementation of risk mitigation action plans.
- 8.4 The CRO will present risk management reports to both the Risk Management Committee and Senior Management Meeting.

9. INFORMATION AND COMMUNICATION

The risk management directorate in consultation with the Communications unit and other relevant stakeholders has the responsibility to ensure that the Risk Management Policies documents as well as departmental risk management processes are communicated to all employees.

10. POLICY REVIEW

This policy will be reviewed at the end of the three (3) year cycle.

11. APPROVAL

Recommended by:


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**CHAIRPERSON
MRS. B MASHOBAO
RISK MANAGEMENT COMMITTEE**

04/11/2022
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DATE

Approved by:


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**MR. R. PIETERSE
HEAD OF DEPARTMENT
Department of Transport, Safety & Liaison**

07/11/2022.
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DATE