DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM

Risk Management Policy

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1 Document Version

Version	Revision date	Prepared / Revised by	Business unit	Status
1.00	March 2014	R. Moses	Risk Management	Approved at SMAC

2 Definitions and Terms

Term	Definition
DEDaT	Means "Department of Economic Development and Tourism"
Chief Financial Officer	The person designated to assist the accounting officer in discharging the duties prescribed in Part 2 of Chapter 5 of the PFMA and the DORA
Programme Managers	Means an employee with a designation of Executive Manager or an employee acting in that capacity
Senior manager	Means a person in the employ of the Department appointed at levels 13 to15
Employee	Means a person in the employ of DEDaT
Executive Authority	Means Member of Executive Council MEC
Middle manager	Means managers (deputy directors) of the department
Accounting Officer	The Head of the Department
Chief Risk Officer	A senior official who is head of risk management unit
Risk Management	A systematic and formalized process to identify, assess, manage and monitor risks
Risk Management Unit	A business unit responsible for coordinating and supporting the overall Institutional risk management process, but which does not assume the responsibilities of Management for identifying, assessing and managing risk.
Risk Owner	The person accountable for managing a particular risk
Risk Management Committee	A committee appointed by the Accounting Officer to review the departments system of risk management
Management	Senior officials of the department except for the Chief Risk Officer and officials reporting to him/her.
Risk	An unwanted outcome, actual or potential, to the departments' service delivery and other performance objectives caused by presence of a risk factor.
Inherent Risk	The exposure arising from risk factors in the absence of deliberate management interventions to exercise control over such risks
Residual Risk	The remaining exposure after the mitigating effects of deliberate management interventions.

3 PREAMBLE

3.1 The Accounting Officer commits the Department of Economic Development and Tourism to the principles of good corporate governance. The Accounting Officer and staff of the Department of Economic Development and Tourism commits to the implementation of effective, efficient and transparent systems of financial and risk management and internal control.

Risk management will assist the department in achieving the following:

- Promoting of economic growth and economic development.
- Achievement of performance and service delivery targets
- Effective and efficient use of resources
- Giving an early warning of potential problems
- Identification and management of risks affecting different directorates.
- Enhanced accountability.
- Effective systems of internal controls
- Prevention of fraud and corruption

4 PURPOSE

4.1 The purpose of this policy is to articulate the department of economic development and tourism's risk management philosophy. The policy is aimed, among other things, to:

- To communicate the Department's stance with regard to risk management.
- Provide reasonable assurance that the risks that threaten the achievement of Departmental objectives are effectively managed.
- Promote adoption of sound risk management practices within the department.

5 LEGISLATIVE MANDATE

5.1 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.

5.2 Treasury Regulations indicate that the Accounting Officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution.

6 APPLICATION

6.1 The principles contained in this policy will apply to all employees of DEDaT whether appointed on permanent or temporary/contract basis as well as officials enrolled in the internship/ learner ship programs.

6.2 The 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 department and the public as well as internal risks.

7 GENERAL PRINCIPLES OF RISK MANAGEMENT IN THE DEPARTMENT

7.1 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.

7.2 Risk analysis will form part of the departmental strategic and operational planning processes.

7.3 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.

7.4 Risk management in the department should take a proactive approach and where possible avoid risks rather than dealing with their consequences.

7.5 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.

8 RISK TOLERANCE

8.1 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.

8.2 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. 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.

9 RISK ASSESSMENT

9.1 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.

9.2 The Department of Economic Development and Tourism will conduct the departmental risk assessment annually with a review or re-assessment of the risks conducted on regular basis to ensure maximum mitigation thereof. The risk assessment exercise will be conducted as per the Departmental risk assessment methodology that is part of the Risk Management Strategy.

10 ROLES AND RESPONSIBILITIES

All the officials of the Department of Economic Development and Tourism have responsibility for risk management; however, the management must take the lead in risk mitigation processes while the Risk Management Unit will facilitate. The following outlines the responsibilities of all role players in areas of risk management, ranging from oversight, implementers and assurance providers.

10.1 RISK MANAGEMENT OVERSIGHT

10.1.1 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:

- Review the risk management policy and strategy and recommend for approval by the Accounting Officer;
- Review the risk appetite and tolerance and recommend for approval by the Accounting Officer;
- Review the Department's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
- Oversee the performance of the risk management function.

10.2 RISK MANAGEMENT IMPLEMENTERS

10.2.1 Accounting Officer and Management

The Accounting Officer is ultimately responsible for and should assume "ownership" of risk management.

More than any other individual, the Accounting Officer sets the "tone at the top" that affects integrity and ethics and the Accounting Officer fulfils 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:

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

Management is responsible but not only limited to the following:

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

10.2.2 Personnel

Personnel's responsibilities include:

- Applying risk management processes to their respective roles.
- Participating in risk identification and assessment process of their directorates/ programmes.
- Report risks to management on a timely basis.
- Adhere to the departments' code of conduct.
- Implementation of risk responses to address the identified risks.
- Be familiar with the departments' risk management vision, risk management strategy, fraud risk management policy.
- All personnel suspecting that some kind of fraud has been attempted or committed, to report it immediately.

10.3 RISK MANAGEMENT SUPPORT

10.3.1 Chief Risk Officer

The Chief Risk Officer is the custodian of the Risk Management Strategy and is the coordinator of the risk management activities throughout the department. Other responsibilities include:

- Develop risk assessment methodology
- Communicate risk management policies and strategies
- Work with other managers in establishing and maintaining effective risk management in their areas of responsibility.
- Monitoring progress and for assisting other managers in reporting relevant risk information
- Compiling reports to the Departmental risk management committee.
- Participate in the development of a combined assurance plan for the department together with internal audit.

10.4 RISK MANAGEMENT ASSURANCE PROVIDERS

10.4.1 Internal Audit

The roles of Internal Audit with regard to risk management:

- Evaluating the effectiveness of risk management processes
- Evaluating the reporting of key risks and
- Reviewing the management of key risks and where possible, provide recommendations.
- Reviewing the appropriateness of the risk tolerance levels
- Utilizing the results of the risk assessment to develop long term and current year internal audit plans.

10.4.2 External Audit

The external auditors provides 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.

11 REPORTING

11.1 Management will be required to report regularly on progress relating to mitigation of risks related to their directorates.

11.2 The Chief Risk Officer will in consultation with relevant managers develop risk mitigation action plans that will enhance effective management of identified risks.

11.3 The reporting format designed by the CRO and agreed upon by risk owners will be used for the purposes of regular reporting to the Risk Management Unit to ensure implementation of risk mitigation action plans.

11.4 The CRO will present risk management reports to both the Risk Management Committee and Senior Management Meeting.

12 INFORMATION AND COMMUNICATION

The risk management unit in consultation with the Communications and Information Systems units and other relevant stakeholders has the responsibility to ensure that the risk policies as well as departmental risk management processes are communicated to all employees.

13 POLICY REVIEW

This policy is subject to an annual review.

14 POLICY APPROVAL

The Risk Management Policy was prepared by the Risk Management Unit and are hereby recommended and approved for on behalf of the Department.

Recommended	Approved
Mr. G. BOTHA Chairperson	Mr. P. M. SEBOKO Head of Department
DATE: March 2014	DATE: March 2014