

**NORTHERN CAPE PROVINCIAL
GOVERNMENT
DEPARTMENT OF AGRICULTURE,
LAND REFORM &
RURAL DEVELOPMENT**



RISK MANAGEMENT POLICY

***"A transformed, vibrant agricultural sector for food security and
sustainable rural development"***

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1. Definitions

Accounting Officer	Means the Head of Department for Dept. of Agriculture, Land Reform and Rural Development.
Audit Committee	An independent committee constituted to review the control, governance and risk management within the Institution, established in terms of section 77 of the PFMA.
Chief Audit Executive	A senior official within the organisation responsible for internal audit activities (where internal audit activities are sourced from external service providers, the Chief Audit Executive is the person responsible for overseeing the service contract and the overall quality of the services provided).
Chief Risk Officer	A senior official who is the head of the Risk Management Unit.
DALRRD	Department of Agriculture, Land Reform and Rural Development.
Executive Authority	The Member of the Executive Council.
Framework	The Public Sector Risk Management Framework (2010).
Inherent Risk	The exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.
Internal Auditing	An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing

a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

King III	The King Code of Corporate Governance for South Africa 2009.
Management	All officials of the Institution except for the Chief Risk Officer and officials reporting to him/her.
Other Official	An official other than the Accounting Officer / Authority, Management, Chief Risk Officer and his/her staff.
PFMA	Public Finance Management Act (Act No. 1 of 1999 as amended by Act No. 29 of 1999).
Residual Risk	The remaining exposure after the mitigating effects of deliberate management intervention(s) to control such exposure (the remaining risk after Management has put in place measures to control the inherent risk).
Risk	An unwanted outcome, actual or potential, to the Institution'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. This definition of "risk" also encompasses such opportunities.
Risk Appetite	The amount of residual risk that the Institution is willing to accept.
Risk Champion	A person who by virtue of his/her expertise or authority champions a particular aspect of the risk management process, but who is not the risk owner.

Risk Factor	Any threat or event which creates, or has the potential to create risk.
Risk Management	A systematic and formalised process to identify, assess, manage and monitor risks.
Risk Management Committee	A committee appointed by the Accounting Officer / Authority to review the Committee Institution's system of risk management.
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 Tolerance	The amount of risk the Institution is capable of bearing (as opposed to the amount of risk it is willing to bear).

RISK MANAGEMENT POLICY

2. LEGISLATIVE MANDATE

The mandate for this policy is derived from various legislations and Corporate Governance guidelines as follows:

2.1 Section 38 of the PFMA states that the Accounting Officer of a department must ensure the establishment and maintenance of effective, efficient and transparent systems of financial and risk management and internal control as well as the system of internal audit under the control and direction of an audit committee.

2.2 Section 45 of the PFMA further extends and establishes the general responsibilities to all managers and is a cornerstone in the institutionalization of risk management in the public service. It establishes responsibility of risk management at all levels, extending it beyond the roles of the accounting officer, the internal audit unit or the Audit Committee in this regard.

2.3 In addition, as contemplated by **Treasury Regulation 3.2.1**. The Accounting Officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the Department. 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. The Strategy must be clearly communicated to all officials to ensure that the risk management is incorporated into the language and culture of the organisation.

2.4 The King Report on Corporate Governance, also reflects on risk management as an integral part of strategic and operational activities and further stipulates that the code applies to all “Public sector enterprises and agencies that fall under the Public Finance Management Act...”

3. THE CONCEPT OF RISK AND RISK MANAGEMENT

- 3.1** A risk is anything that presents an impediment, or that which could become an impediment in the foreseeable future, to the ability of the Department to achieve its objectives in the most efficient, effective and economic manner.
- 3.2** A missed opportunity to enhance the efficiency, effectiveness and economy of the Department's performance shall also be construed as a risk.
- 3.3** Risk management constitutes the convergence of various activities undertaken by the Department to obtain a critical understanding of its exposure to risks, followed by the management of such risks in a manner that improves the overall ability to achieve its objectives.
- 3.4** Risk management traverses all strategic and operational activities of the Department. As such the principles of risk management shall be implemented by each and every employee of the Department within his or her specific role.
- 3.5** Risk management shall be applied in all strategic and operational activities, spanning the disciplines of planning, implementation and monitoring, to identify risks that may affect the Department's ability to meet its objectives, and to manage such risks to be within the Department's risk tolerance framework.
- 3.6** The Accounting Officer has committed the Department of Agriculture and Land Reform and Rural 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.**

3.7 Risk management is recognised as an integral part of responsible management and the Department therefore adopts a comprehensive approach to the management of risk. It is expected that all Directorates, operations and processes will be subject to the risk management policy. It is the intention that these Directorates will work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.

3.8 Effective risk management is imperative to the Department to fulfill its mandate, the service delivery expectations of the public and the performance expectations within the Department.

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

3.10 We subscribe to the fundamental principles that all resources will be applied economically to ensure:

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

3.11 An entity-wide approach to risk management will be 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 management. It is expected that the risk management processes will

become embedded into the Department's systems and processes, ensuring that our responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the Department's objectives. Equally, they must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

4. RISK MANAGEMENT APPROACH

4.1 The Department hereby adopts a common approach to the management of risk. This approach involves a clearly stipulated policy of identifying, prioritising and controlling the risks that the Department is exposed to.

4.2 The foundation of this policy is the obligation and desire to ensure that the Department's objectives are met, in particular to the Department's mission.

4.3 The application and implementation of this policy will be the responsibility of the Accounting Officer, through the organizational management structure. Management at all levels are responsible for the implementation of this policy through a risk management program.

4.4 Reporting on performance against strategic objectives will be conducted routinely depending on the nature of the risks.

4.5 This Policy with its underlying principles, processes and practices will be reviewed shall remain valid for a period of three years from the date of approval.

4.6 In cases of change in legislation or recommendations by independent parties the policy shall be reviewed accordingly.

4.7 The Department is committed to the philosophy of effective risk management as a core managerial key performance indicator.

4.8 The Department will establish a Risk Management Committee (RMC) to advise the accounting officer and management on risk management processes within the Department.

5. ROLES AND RESPONSIBILITIES

5.1 The Executive Authority

The Executive Authority is accountable to the legislature in terms of the achievement of the goals and objectives of the Department. As risk management is an important tool to support the achievement of this goal, it is important that the Executive Authority should provide leadership to governance and risk management.

5.2 The Accounting Officer

5.2.1 The ultimate responsibility of risk management in the Department lies with the Accounting Officer. He sets the “tone at the top” that affects the integrity and other factors that will create a positive control environment. The Accounting Officer must ensure that risk management is integrated into all strategic management processes and that the significant risks are addressed.

5.2.2 The Accounting Officer is responsible for strategic management processes and ensures that the Strategic and Annual Performance Plans of the Department indicates specific outputs and service delivery targets and that all significant risks are taken into consideration in the development of these plans. In managing these risks, the Accounting Officer must, amongst other things, put in place a performance management system that links senior management performance to strategic objectives of the Department.

5.2.3 The Accounting Officer must ensure that he is apprised of the significant risks; along with actions management is taking and how management is ensuring effective risk management.

5.3 Management

5.3.1 It is the responsibility of the management team to establish and maintain controls and control systems as delegated by the Accounting Officer. Management supports the departmental risk management philosophy, promote compliance with risk management processes and good corporate governance and manage the risks within their spheres of responsibility

5.3.2 Management will assist the Accounting Officer in achieving the objectives of the Department by developing and evaluating recommendations for the enhancement or improvement of the processes through which:

1. Objectives and values are established and communicated;
2. The accomplishment of objectives is monitored;
3. Accountability is ensured; and
4. Corporate values are preserved

5.3.3 Provide an annual assessment of the adequacy and effectiveness of the Department's processes for controlling its activities and managing its risks.

5.4 Audit Committee

5.4.1 With the Audit Committee playing an advisory role to the Accounting Officer, It also validates the independent role of the Internal Audit Function and the effectiveness of risk management and internal control systems. Its role is to independently monitor the activities within the Department. It is responsible to provide reasonable assurance that critical processes are being performed effectively, key measures and reports are reliable and established policies are complied with.

5.4.2 The Audit Committee will evaluate the adequacy and effectiveness of the risk management process followed in the Department.

5.4.3 The Audit Committee is not required to develop and implement risk management strategies and processes.

5.5 Risk Management Committee (RMC)

5.5.1 The RMC is comprised of the following members;

- (a) Chairperson (Independent external person)
- (b) Chief Financial Officer
- (c) Legal Officer
- (d) 3x Senior Manager.(Internal)
- (e) 1x Senior Manager (External)
- (f) Senior Manager (Provincial Internal Audit)
- (g) Manager Risk Management Support

5.5.2 The RMC is to report on and inform the Accounting Officer of the effectiveness of the Department's risk management processes and to assist the accounting Officer in discharging his risk management responsibilities

5.5.3 The RMC shall meet regularly and a summary of its terms of reference is as follows:

- (a) Provide input into the risks faced by the Department in achieving its objectives.
- (b) Review the adequacy and overall effectiveness of the Department's risk management function and its implementation by management.
- (c) Annual review of the risk management policy of the Department
- (d) Report annually to the Accounting Officer on the status of risk management.
- (e) Contribute in any other way to enhance the management of risk within the Department.

- (f) Create and promote a risk management culture
- (g) Review the risk profile/register of the Department and with management recommend action to mitigate identified risks and exposures.

5.5.4 The responsibility for the quality, integrity and reliability of the Department's risk management process will lie with the RMC. The objective of the Risk Management Committee is to assist the Department in discharging its duties relating to corporate accountability and associated risk in terms of management assurance and reporting. They will also review and assess the integrity of the risk control systems and ensure that the risk management policies and strategies are effectively managed.

5.6 Co-option of members: The Senior Manager that is member of the Risk Management Committee has the right to delegate any staff member that is knowledgeable about risk management to come and serve on the committee.

5.6.1 The co-opted member must be given a delegation in writing, which should indicate if the member has voting rights (all powers) or non-voting rights.

5.7 Internal Audit

5.7.1 Internal Audit will assist the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

5.7.2 They may assist both management and the executive authority or audit committee by monitoring, examining, evaluating, reporting and recommending improvements to the adequacy and effectiveness of the Department's risk management processes.

5.7.3 To ensure independence and objectivity, Internal Audit therefore provides a value-added service that will improve the departmental risk management operations.

5.7.4 They have an obligation to report directly to the Audit Committee.

5.8 Employees

5.8.1 Employees are responsible for executing risk management in accordance with established directives and protocols and must ensure that the system of financial management and internal control established is carried out within their areas of operation and responsibility and that financial and other resources allocated to them are used effectively, efficiently, economically and transparently. Employees are responsible for communicating risks such as problems in operations, non-compliance with the code of conduct, other policy violations or illegal actions.

Every employee has a part to play in this important endeavor and we look forward to working with you in achieving these objective.

Approved by



W.V.D MOTHIBI
Accounting Officer

Date: 01/04/2010.....

