



agriculture, environmental affairs,
rural development and land reform

Department:
agriculture, environmental affairs,
rural development and land reform .
NORTHERN CAPE PROVINCE
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF AGRICULTURE, ENVIRONMENTAL AFFAIRS, RURAL DEVELOPMENT AND LAND REFORM

RISK MANAGEMENT POLICY

DATE: 03/12/2024

DIRECTORATE: OFFICE OF THE HEAD OF DEPARTMENT

VERSION 002

"A TRANSFORMED, PROSPEROUS AGRICULTURE AND SUSTAINABLE ENVIRONMENT"

TABLE OF CONTENTS

DEPARTMENT OF AGRICULTURE, ENVIRONMENTAL AFFAIRS, RURAL DEVELOPMENT AND LAND REFORM

1. CONCEPTUAL BACKGROUND	3
1.1 INTRODUCTION	3
1.2 LEGISLATIVE REQUIREMENTS	6
2. POLICY STATEMENT AND APPLICATION SCOPE	6
2.1 POLICY STATEMENT	6
2.1.3 ROLES AND RESPONSIBILITIES	7
2.1.4 PROVINCIAL TREASURY RISK MANAGEMENT SUPPORT (OFFICE OF THE ACCOUNTANT-GENERAL)	9
2.1.5 REPORTING	10
2.2 APPLICATION SCOPE	10
3. POLICY FRAMEWORK	10
3.1 IDENTIFICATION AND CONSULTATION OF STAKEHOLDERS	10
3.2 TIMEFRAMES	11
3.3 IMPLEMENTATION STRATEGY	11
The implementation date for this policy is (03/12/2024)	11
3.4 FINANCIAL IMPLICATIONS	11
3.5 COMMUNICATION	11
3.6 COMPLIANCE, MONITORING & EVALUATIONS (M&E)	12
RISK MANAGEMENT IMPLEMENTERS	12
(a) CHIEF RISK OFFICER	13
(b) RISK CHAMPIONS	13
3.6.5 ASSURANCE PROVIDERS	13
3.7 POLICY REVIEW	14
3.8 POLICY IMPACT	14
4. ADOPTION OF POLICY	14

1. CONCEPTUAL BACKGROUND

1.1 INTRODUCTION

The Accounting Officer and employees of Department of Agriculture, Land Reform, Environmental Affairs, Land Reform and Rural Development (Herein referred to as DAERL) commits to the implementation of effective, efficient and transparent systems of financial, risk management and internal control. The emphasis is the department's vision for a transformed, prosperous agricultural and sustainable environment.

The Department, in its efforts to be pro-active and take calculated risks, subscribes to the fundamental principles that all resources will be applied economically to ensure the following objectives and benefits of effective risk management:

- a) Achievement of performance and service delivery targets
- b) Prioritizing the allocation of resources
- c) Giving an early warning of potential treats
- d) A rigorous basis for strategic management through consideration of key elements of risk
- e) Identification and management of risks affecting different directorates
- f) Informed, risk-based decision making and enhanced accountability
- g) Effective systems of internal controls
- h) Fraud prevention and anti-corruption

DEFINITIONS

Accounting Officer Head of the Department.

Accounting Authority A member appointed by the Premier or Member of the Executive Council.

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 Northern Cape Provincial Treasury Internal Audit Shared Services responsible for internal audit activities (Chief Audit Executive is the person responsible for

overseeing the service contract and the overall quality of the services provided).

Chief Risk Officer	An official who is the head of the risk management unit.
DAERL	Department of Agriculture, Environmental Affairs, Rural Development and Land Reform.
Executive Authority	The Member of the Executive Council.
Framework	The Public Sector Risk Management Framework.
Inherent Risk	The exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.
Institution(s)	National and provincial departments and public entities reporting to DAERL including their subsidiaries and trading entities; municipalities and municipal entities, and independent institutions established by the Constitution.
Internal Audit	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 IV	The King IV Code on Corporate Governance fin South Africa
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.
Member	A member is any person appointed by the Accounting Officer to service in this Risk Management Committee and must have voting rights.
Standing Invitees	A person appointed by the Accounting Officer to serve as a member of the Risk Management Committee.
Normal Invitees	Comprises of normal members that have been appointed by the Accounting Officer and delegated members.
Co-opted member	an employee that has been nominated to attend the RMC on behalf of an appointed member. However, this member must possess a blend of skill on risk management.

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 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).

1.2 LEGISLATIVE REQUIREMENTS

The mandate for this policy is derived from various legislations and corporate governance guidelines as follows:

1.2.1.1 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.

1.2.2 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.

1.2.3 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 in 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.

1.2.4 The **King IV 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".

2 POLICY STATEMENT AND APPLICATION SCOPE

2.1 POLICY STATEMENT

The purpose of this policy is to articulate the Department's risk management philosophy. The Department recognizes that risk management is a systematic process and formalized



process to identify, assess, manage and monitor risks and therefore adopts a comprehensive approach to the management of risk. This policy seeks to address the elements of risks within the Information & Communication & Technologies framework to be implemented and maintained by the Department.

2.2.1 GENERAL PRINCIPLES OF RISK MANAGEMENT

- (a) A missed opportunity to enhance the efficiency, effectiveness and economy of the Department's performance shall also be construed as a risk.
- (b) All risk management activities will be aligned to the Departmental aims, objectives and priorities, and aims to protect and enhance the reputation and standing of the Department.
- (c) Risk analysis will form part of the Departmental strategic and operational planning process. Managers and employees at all levels will have the responsibility to identify, evaluate and manage or report risks, and will be equipped to do so.
- (d) 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 make informed decisions under conditions of uncertainty.

2.1.2 RISK ASSESSMENT

- (a) The risk assessment allows the department to consider how potential events might affect the achievement of the objectives. Officials assess these events by analysing the likelihood and its impact on the Departmental operations.
- (b) The Department will conduct the Departmental risk assessment annually with a review or reassessments of the risks conducted on a 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.

2.1.3 ROLES AND RESPONSIBILITIES

All Departmental officials have a responsibility for the effective functioning of risk management; however, Management must take the lead in the risk mitigation process while the Office of the Head of the Department will facilitate the processes. The role and responsibilities are categorized as follows:

(a) RISK MANAGEMENT OVERSIGHT

(i) **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.

(ii) **AUDIT COMMITTEE**

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.

The Audit Committee will evaluate the adequacy and effectiveness of the risk management process followed in the Department. This committee is not required to develop and implement risk management strategies and processes.

(iii) **RISK MANAGEMENT COMMITTEE**

The risk management committee comprises of the following members:

- a) Chairperson (Independent external person).
- b) Chief Financial Officer.
- c) Legal Officer.
- d) 6 x Senior Managers (Internal).
- e) Provincial internal Audit.
- f) Provincial Risk Management Support.

The risk management committee is to report on and inform the Accounting Officer of the effectiveness of the Department's risk management process and to assist the Accounting Officer in discharging his risk management responsibilities. This committee shall meet regularly.

(iv) **SUMMARY OF THE RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE.**

- 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.

(v) RISK MANAGEMENT COMMITTEE REPORTING

The responsibility for the quality, integrity and reliability of the Department's risk management process will lie with the Risk Management Committee. The objective of the Risk Management Committee is to assist the Department in discharging its duties relating to the corporate accountability and associated risks 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.

(b) CO-OPTION OF MEMBERS

- (i) The senior manager that is a 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.
- (ii) The co-opted member must be given a delegation in writing, which should indicate if the member has the voting rights (all powers) and non-voting rights.

2.1.4 PROVINCIAL TREASURY RISK MANAGEMENT SUPPORT (OFFICE OF THE ACCOUNTANT-GENERAL)

The Office of the Provincial Accountant-General should monitor the and assess the implementation of risk management including any prescribed National and Provincial norms and standards.

2.1.5 REPORTING

The reporting format designed by the Chief Risk Officer and agreed upon by the risk owners will be used for the purpose of reporting to ensure implementation of risk mitigation action plan. The Chief Risk Officer will present risk management reports to the Risk Management Committee, Audit Committee and at the Senior Management Meetings.

2.2 APPLICATION SCOPE

- 2.2.1 This policy will apply to all "policy custodians" of the Department of Agriculture, Environmental Affairs, Rural Development and Land Reform whether appointed permanent or temporary/contract basis as well as officials enrolled in the internship/ learnership programs.
- 2.2.2 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.
- 2.2.3. Since effective risk management is the responsibility of all employees in the Department, it is of vital importance that it be incorporated into Senior Managements' performance agreements as well as job descriptions of key personnel. This must be in line with prescripts regulating performance agreements and Performance Management and Development Systems (PMDS)
- 2.2.4 The policy also ensures the physical security to protect the states information technology assets and vital business functions of all information resources whether managed internally or hosted externally. All stakeholders are required to operate within the permissible parameters and implement risk management programs including the remediation of the identified risks in a timely manner.

3. POLICY FRAMEWORK

3.1 IDENTIFICATION AND CONSULTATION OF STAKEHOLDERS

This policy document was distributed to staff members within the department and their feedback and input are included where changes were suggested and motivated. Information sessions were also held as part of the consultation process. The recognized Labour Unions are not excluded in the process as they do have shop stewards within the department, and them being part of the departmental staff, thus had the opportunity to participate in the process. Furthermore, it needs to be mentioned that the department cannot negotiate with the Unions (Organized Labour) as a separate entity on this policy. Especially, because there are matters of mutual interests that must be dealt with in the formal structures created for this purpose, such as the Provincial Bargaining Council.



3.2 TIMEFRAMES

In (2024) a draft of this policy was reviewed by the departmental Policy Analysis unit who submitted their comments on the policy.

3.3 IMPLEMENTATION STRATEGY

It is the responsibility of each Head of department to ensure that this policy is carefully followed within the department. All managers should make members of their employees aware of the obligation to familiarize themselves with and follow this policy.

An implementation plan will be drafted which will outline how and when this policy will be implemented. The plan will be drafted two months after the implementation date of this policy. To ensure adequate implementation of this policy, the human resource unit will compile an infrastructure investment (in terms of human capital) and policy management plan. The plan will be updated on an annual basis and will contain details on future guidelines for this policy. The financial implications, if any, will be indicated on the plan to ensure that funds are available or availed.

The implementation plan is subjected to the following:

The implementation date for this policy is (01/12/2024)

3.4 FINANCIAL IMPLICATIONS

ECONOMIC CLASSIFICATION	BUDGET R'000	EXPENDITURE R'000	VARIANCE R'000	% SPENDING
Compensation of employees	2,195	1,299	896	59
Goods and services	557	2	555	0
Transfers	0	0	0	0
Payments of capital	79	0	79	0
Totals	2,831	1,301	1,530	46

3.5 COMMUNICATION

Management should ensure that the strategy includes a comprehensive plan for communicating risk related processes and governance documents (e.g., risk management policy, risk implementation plan, risk management strategy) to all officials within the department including those without access to email and/or intranet.

3.6 COMPLIANCE, MONITORING & EVALUATIONS (M&E)

RISK MANAGEMENT IMPLEMENTERS

The following officials will be responsible for implementing risk management in the Department.

3.6.1 ACCOUNTING OFFICER

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.

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 the strategic objectives of the Department.

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

3.6.2 MANAGEMENT TEAM

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, promotes compliance with risk management processes and good corporate governance and manages the risks within their spheres of responsibility.

Management is responsible for executing the responsibilities outlined in the risk management strategy and for integrating risk management into the operational routines. In addition, the management will provide an annual assessment of the adequacy and effectiveness of the Department's processes for controlling its activities and managing its risks.

(a) MANAGEMENT ROLES

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:

- a) Objectives and values are established and communicated.
- b) The accomplishment of objectives is monitored.



- c) Accountability is ensured.
- d) Corporate values are preserved.

3.6.3 EMPLOYEES

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.

3.6.4 RISK MANAGEMENT SUPPORT

(a) 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.

(b) RISK CHAMPIONS

The key part of the Risk Champion's responsibility should involve 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 institutional skills and expertise. The roles are comprehensively articulated in the Risk Management Committee charter.

3.6.5 ASSURANCE PROVIDERS

(a) INTERNAL AUDIT

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. They may also 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.

To ensure independence and objectivity, Internal Audit therefore provides a value-added service that will improve the departmental risk management operations, and they have an obligation to report directly to the Audit Committee.

(b) **EXTERNAL AUDIT**

The Auditor General provides an independent opinion on the effectiveness of risk management.

3.7 POLICY REVIEW

This policy will be reviewed when the need arises or in case of the occurrence of extenuating circumstances (political mitigation, or pronouncement by legislation and/or regulations). The contact person for this policy will be required to submit all relevant information pertaining to this policy in conjunction with a signed memo with all amendments (addition or omission) during the third quarter annually.

The exception, the Policy development unit will be conducting all extenuating reviews throughout the year, therefore it is paramount that any new information received be submitted to this unit, to coordinate the review process of this policy.

3.8 POLICY IMPACT

The desired plan is that the policy is recommended by the Risk Management Committee for approval.

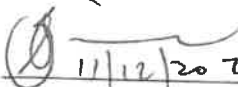
3.9 INTERIM MEASURES

This is an interim document for the Department until such time that a Provincial policy has been developed.

4. ADOPTION OF POLICY

✓
Approved / ~~Not Approved~~
Comments:

.....
.....
.....
.....


ADV. T. BINASE
ACTING HEAD OF DEPARTMENT

11/12/2024
DATE