



**Department of Public Works, Roads and
Transport
Mpumalanga Provincial Government**

RISK MANAGEMENT POLICY

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ABBREVIATION

ICT - Information Communication Technology

IT - Information Technology

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DEFINITIONS

Accounting Officer	means	a person mentioned in Section 36 of the Public Finance Management Act, 1999 (Act No.1 of 1999) and includes any person acting as the Accounting Officer;
Chief Risk Officer	means	the Head of the Risk Management Sub-Directorate;
Consequence	means	the outcome of an event or situation, expressed qualitatively or quantitatively, being a loss, injury, disadvantage or gain. There are a range of possible outcomes associated with an event;
Department	means	Department of Public Works, Roads and Transport;
Information and Communication Technology Risks	means	the potential of a given threat exploits vulnerabilities of an asset or a group of assets and thereby cause harm to the organization. It is measured in terms of a combination of the probability of occurrence of an event and its consequence;
Likelihood	means	a qualitative description or synonym for probability or frequency;
Potential	means	all risks that will have an impact on the achievement of the Department's objectives;
Risk	means	the chance of something happening, which have an impact upon objectives. It is measured in terms of consequence and likelihood;
Risk Assessment	means	the overall process of risk analysis and risk evaluation;
Risk Champion	Means	Official appointed from each Directorate to assist with Risk Management activities within that Directorate;

Risk Management	means	the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects;
Risk Management Process	means	the systematic application of management policies, procedures and practices to the tasks of establishing the context by identifying, analyzing, evaluating, treating and monitoring and communicating the risk; and
Risk Treatment	means	<p>selection and implementation of appropriate options for dealing with risk. Conceptually, treatment options involve one or a combination of the following five strategies:</p> <ul style="list-style-type: none"> • Avoid the risk; • Reduce the likelihood of occurrence; • Reduce the consequences of occurrence; <li style="padding-left: 40px;">and • Transfer the risk.

1. INTRODUCTION

- 1.1 The Department of Public Works, Roads and Transport follow the good practice of risk management as given in the Public Sector Risk Management Framework published by National Treasury. The framework prescribes that the Department must, in accordance with existing prescripts, implement and maintain effective, efficient and transparent systems of risk management and internal control.
- 1.2 This Risk Management Policy forms part of the Department's internal control to and governance practices. It explains the Department's underlying approach risk management. The policy also aims to mitigate identified risks and its associate in accordance with the risk appetite of the Department.

2. OBJECTIVES

The objectives are to:

- 2.1 Articulate the Department's risk management philosophy;
- 2.2 Enhance the safeguarding of Departmental assets;
- 2.3 Ensure sustainable and reliable delivery of services;
- 2.4 Prevention of fraud and corruption;
- 2.5 Reduce wastage and achievement of value for money;
- 2.6 Support realization of Departmental outputs and outcomes; and
- 2.7 Improve legal and regulatory compliance.

3. REGULATORY FRAMEWORK

- 3.1 Annual Risk Assessment Report;
- 3.2 King V Report;
- 3.3 National Treasury Regulations, 2005;
- 3.4 Public Finance Management Act, 1999 (Act No. 1 of 1999);
- 3.5 Public Sector Risk Management Framework by National Treasury; and
- 3.6 Risk Management Committee Charter;

4. SCOPE OF APPLICATION

This policy shall be applicable to all employees and officials in the Department of Public Works, Roads and Transport.

5. POLICY STATEMENT

A more productive, innovative and efficient Department requires a focused approach to managing risks in order to achieve its strategic objectives. Effective risk management, based on sound judgment and the best information available, enhances the Department's capacity to identify, manage and build value.

a. THE PRINCIPLES

The Department subscribes to the fundamental principles that all resources shall be applied economically to ensure:

5.1.1 The highest standards of service delivery.

5.1.2 A management system containing the appropriate elements aimed at minimizing risks and costs in the interest of all stakeholders.

5.1.3 Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholder's expectations; and

5.1.4 Maintaining an environment, that promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

b. THE APPROACH

5.2.1 This Risk Management Policy articulates the Department's underlying approach to risk management. The Department operates in an open and high risk environment where not only its actions but those of other role players (e.g. public transport operators, contractors, other Departments, community, etc.) can impact on the manner in which it operates. Risk shall therefore inherent in all functions undertaken by the Department.

5.2.2 The Department's view of acceptable risk shall be based on a balanced view of all the risks in its operating environment. The intention of this



policy cannot be to eliminate all risks to the Department. It is rating to assist the Department to manage the risks involved and minimize adverse consequences.

5.2.3 Risk Management forms an integral part of the approach to decision making and accountability. Risk Management is not an adhoc, once-off, reactive or crisis management process but should be embedded into the Departmental systems and processes, ensuring that our responses to risks remain current and dynamic.

5.2.4. The Risk Identification and Assessment shall be performed in a structured and formal manner at least once a year to reflect the current state of risk management within the Department. This includes the risk identification, risk assessment, evaluation of the effectiveness of controls, and the mitigation plan.

5.2.5 Risks that have been identified, assessed and treated shall be subject to continuous monitoring and review in order to ensure that the results the risk treatment approach are and remain acceptable. This shall be affected through ongoing activities and/or separate evaluations. The Risk Management cycle shall be repeated annually.

5.2.6 At a Programme or Sub-Directorate level these should be implemented as follows:

- (a) The responsible manager for each Directorate identifies and implements risk management systems within their areas of responsibilities and monitor progress to ensure full implementation of risk management processes.
- (b) All potential risk areas within the Department shall be included on an annual basis in the Risk Assessment Report for the Department; and
- (c) The Departmental Risk Register shall be updated on a quarterly basis to ensure that all risks are mitigated.

c. INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) RISK

Business-related Information and Communication Technology risks within the Department shall be included on an annual basis in the Risk Assessment Report for the Department.

5.3.1 Four elements shall be considered when conducting an ICT Risk Assessment namely:



- 5.3.1.1 **ICT Governance:** inadequate structures, policies and process through which the Department ensures that IT Departments and public entities support shall be in line with the business requirements;
- 5.3.1.2 **User Access Management:** lack of controls that prevent authorized access to the networks, operating systems and application systems that generate and prepare financial information;
- 5.3.1.3 **Security Management:** lack of procedures through which the Department and public entities ensure that only valid, authorized users are allowed segregated access to initiate and approve transactions on the system; and
- 5.3.1.4 **ICT Service Continuity:** lack of processes of managing the availability of hardware, system software, application software and data to enable the Departments to recover or establish information system services in the event of the disaster.

5.3.2 In the process of conducting risk assessment workshop, the ICT governance structures (ICT Operational Committee and ICT Steering Committee) shall form part of the assessment workshop which shall be chaired by the Chairperson of the Risk Committee.

6. ROLES AND RESPONSIBILITIES

a. RISK MANAGEMENT OVERSIGHT

i. EXECUTIVE AUTHORITY

The Executive Authority shall take an interest in risk management to the extent necessary to obtain comfort that properly established

functioning systems of risk management are in place to protect the Department against significant risks.

ii. AUDIT COMMITTEE

The Audit Committee shall be an independent committee responsible for oversight of the Department's control, governance and risk management. The responsibilities of the Audit Committee with regard to risk management are formally defined in the Charter. The Audit Committee provides an independent and objective view of the Department's risk management effectiveness.

iii. RISK MANAGEMENT COMMITTEE

The Risk Management Committee shall be appointed by the Accounting Officer to assist to discharge responsibilities for risk management. 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 are formally defined in its Charter.

b. RISK MANAGEMENT IMPLEMENTERS

i. ACCOUNTING OFFICER

The Accounting Officer is the ultimate Chief Risk Officer of the Department and shall be responsible 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 create a positive control environment.

ii. MANAGEMENT

Management shall be responsible for executing responsibilities outlined in the risk management strategy and for integrating risk management into the operational routines.

iii. OTHER EMPLOYEES

Other employees shall be responsible for integrating risk management into the day-to-day activities. They ensure that delegated risk management responsibilities are executed and continuously reported.

c. RISK MANAGEMENT SUPPORT

i. 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 responsibilities of the Chief Risk Officer are to bring to bear specialized expertise to assist the Department to embed risk management and leverage benefits to enhance performance.

ii. RISK CHAMPION

The Risk Champion's responsibility shall involve intervening in instances where the risk management efforts are being hampered, for example, by lack of co-operation by Management and other officials and the lack of skills and expertise. The Risk Champion also adds value to the risk management process by providing guidance and support to manage problematic risks and risks of transversal nature.

iii. RISK MANAGEMENT UNIT

The Sub-Directorate plays a facilitating and monitoring role in the risk management process. It shall also be responsible for provision of support tools or procedures to management and serves as a supporting channel amongst the risk management role players.

iv. RISK MANAGEMENT COMMITTEE CHAIRPERSON

The Risk Management Committee Chairperson shall be appointed to assist the Committee in discharging their responsibilities for the risk

management. The Risk Management Committee Chairperson shall be an external person for a period of three years. This includes reviewing the risk management progress and maturity of the Department and the effectiveness of risk management activities.

d. **RISK MANAGEMENT ASSURANCE PROVIDERS**

i. **INTERNAL AUDIT**

The role of Internal Audit in risk management shall be to provide an independent, objective assurance on the effectiveness of the Department's system of risk management. Internal Audit evaluates the effectiveness of the entire system of risk management and provides recommendations for improvement where necessary.

ii. **EXTERNAL AUDIT**

The external auditor (Auditor General) shall provide an independent opinion on the effectiveness of risk management.

7. MONITORING AND EVALUATION

The Risk Management Section monitors and evaluates the implementation of the policy.

8. POLICY REVIEW

8.1 The policy shall be reviewed annually to factor in changes in legal frameworks, organizational development, political and economic trends.

8.2 When there are changes on the envisaged outputs by the Medium Term Expenditure Framework as well as outcomes of monitoring and evaluation.

9. DEVIATION

Any deviation from this policy shall be subject to the approval by the Accounting Officer.

10. IMPLEMENTATION DATE

This policy shall come into effect from the date of the approval of the Accounting Officer.

11. APPROVAL



MC MOROLO

HEAD: PUBLIC WORKS, ROADS AND TRANSPORT

DATE: 06/12/2023