NORTHERN CAPE PROVINCIAL GOVERNMENT

Department of Agriculture, Land Reform and Rural Development

agriculture, land reform
& rural development

Department:
agriculture, land reform & rural development
NORTHERN CAPE PROVINCE
REPUBLIC OF SOUTH AFRICA

Risk Management Strategy

RISK MANAGEMENT STRATEGY

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1. PURPOSE

I.This document represents the risk management strategy of Department of Agriculture and Land Reform and Rural Development (herein after referred to as the Department) and is to be read in conjunction with the Public Sector Risk Management Framework document developed by National Treasury.

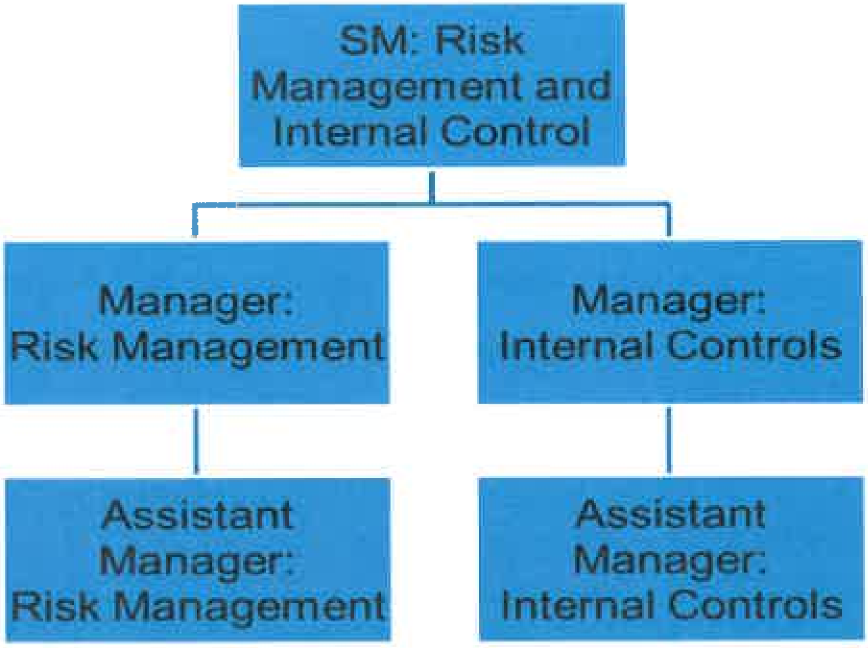
2. OBJECTIVE

I.The objective of the risk management strategy is, inter alia:

a) To create an awareness and understanding of risk at all levels of the organization.
b) Instill a culture of risk awareness.
c) Engage risks and manage them well within the risk tolerance of the Department.
d) Embed risk management into daily activities; this will include the linking of risks, controls and actions to strategic and operational risks as part of the annual process.
e) Ensure compliance with the Public Finance Management Act and other applicable legislation and policies.

3. STRUCTURAL CONFIGURATION

I.The coordination and facilitation of Departmental Risk Management activities and practices resides within Programme 1, Administration.



4. RISK MANAGEMENT CYCLE

I. The risk management cycle followed in the Department is made up of the following phases:

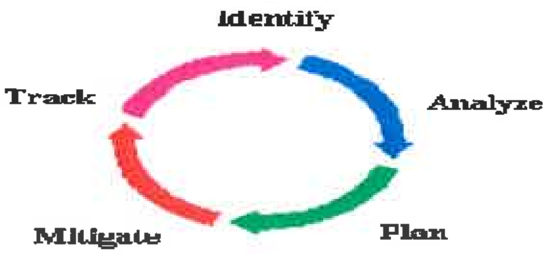
a. Identify: Identify that a risk exist and give it a meaningful name and evaluation.

b. Analyze: Determine the severity of the risk according to the risk matrix. If the risk is negligible (low to medium severity, low likelihood of occurrence), stop here. However, if the risk could cause damage to the system or the system's users, continue.

c. Plan: Decide how to combat the risk based on the risk's severity and likelihood of occurrence.

d. Mitigate: Follow the plan formulated in the previous phase as closely as possible to combat the risk. If this approach does not work, return to the previous phase and make a new plan. If the plan does work, continue analyzing the risk to determine whether it has been reduced to an acceptable severity level.

e. Track: Once the risk has been mitigated to an acceptable severity level, the risk should be tracked to ensure the continued control of the risk. If at any time the risk seems to resurface, the risk management cycle should begin again, starting with the analysis phase.



5. RISK MANAGEMENT PROCESS

1. Identification, description and listing of risks
   a) Management should perform the functions listed below.

i) Must compile a detailed, descriptive list of all risks identified for a sub-programme or a division within a sub-programme.

ii) Use the following methods and/or combination of the under-mentioned methods to identify potential risks during the risk assessment process:

a) Facilitated Workshops;
b) Brainstorming sessions and Interviews
c) Survey, questionnaires
d) Networking with peers, industry groups and professional associations
e) SWOT and PESTEL analyses
f) Any other method as supported by the RMC.

iii) At the request of the RMC, Internal Audit may assist in facilitating risk management activities in the department. However the overall responsibility lies with management to manage these risks at all times.

2. **Prioritisation and weighting of risks identified**

a) The risk matrix method, whereby individual risks are prioritised by assessing each risk's *impact* and *likelihood of occurrence,* should be used for all assessments.

i) **Likelihood,** also known as **occurrence**, is defined as the chances that the risk will occur based on previous history, management experience and any current situation; and

ii) **Impact,** also known as **consequence,** is defined as the level or extent to which the risk would affect the ability of the business to deliver its strategy and objectives if it were

RISK RATING GUIDE

Likelihood rating guide		
Score	**Likelihood**	**Occurrence**
5	Common	the risk is already occurring or is likely to occur more than once in the next 12 months
4	Likely	the risk is likely to occur at least once within the next 12 months
3	Moderate	the risk is likely to occur in the next 2-3 years
2	Unlikely	the risk is unlikely to occur in the next 3 years
1	Rare	the risk is unlikely to occur even in the long term

Impact rating guide		
Score	**Impact**	**Consequences**
5	Critical	the risk will have a significant impact on the achievement of objectives
4	Major	the risk will have a high impact on the achievement of objectives
3	Moderate	the risk will have a moderate impact on the achievement of objectives
2	Minor	the risk will have a low impact on the achievement of objectives
1	Insignificant	the risk will have a negligible impact on the achievement of objectives

Risk Matrix:

1. The risk matrix below as per the risk rating guide above depict the risk indices that result from assessing the likelihood and impact, the matching risk magnitude categories the risk indices as high, medium or low:

Risk Index	Risk Priority	Residual Risk Acceptance	Proposed Action	Suggested Timing
15 - 25	High risk	Unacceptable	Take action to reduce risk exposure (with highest priority) to an acceptable level. Attention of Senior management	Immediate action required
08 - 14	Medium risk	Unacceptable (cautionary)	Take action to reduce risk exposure (with medium-to-low priority) to an acceptable level. Inform Senior management and constantly monitor the risk exposure and related control adequacy	Action required in the short-to-medium-term (within 3 months)
01 - 07	Low risk	Acceptable	No action required. Control and monitor risk exposure, and inform management. Management may consider reducing the cost of control	No action required

Perceived control effectiveness:

1.1 The current mitigating control for each risk is identified of which the perceived control effectiveness is then rated.

Rating guide for perceived control effectiveness:

Control rating	Control strength	Description	Control weight
1	Very strong	The controls implemented are adequate and effective to mitigate the potential risk should the risk occur. The occurrence of the risk will result in a low impact in the presence of the control identified	0.90
2	Strong	The controls implemented are adequate but effectiveness needs improvement	0.75
3	Fair	The controls implemented are fair and needs improvement	0.50
4	Weak	The controls implemented are weak and inadequate to mitigate the risk identified. The risk may not be adequately mitigated should it occur and the organization may suffer considerable consequences	0.25
5	Very weak	Controls identified are not adequate/not implemented/there is no control to mitigate the risks identified	0.10

3. Reporting

3.1.1 Management must, after concluding an assessment, prepare a risk assessment report for each sub-programme or divisions within a sub-programme.

3.1.2 The risk assessment report should include, amongst others, information pertaining to:

a) The sub-programme and/or the division that has been assessed;

b) The last date assessed;

c) Name of manager responsible for the sub-programme and/or division;

d) Method/(s) used to assess risks;

e) Detailed list of risks accompanied by the weight attached to each risk (*impact* and *likelihood of occurrence*);

f) Priority attached to each risk; and

g) Recommendation on risk management alternatives and proposed controls to be implemented.

4. Implementation

4.1 The relevant senior managers, sub-programme managers or heads of divisions should consider the risk assessment report, including the recommendations on risk management alternatives, and should submit plans to the RMC on how the sub-programme and/or division proposes to implement such recommendations.

5. Monitoring

5.1 The relevant senior manager, sub-programme manager or heads of divisions must on a continuous basis monitor the risk management recommendations in order to evaluate their effectiveness. Where such risk management recommendations fail, this must be reported to the RMC.

5.2 The RMC must, in consultation with the relevant senior manager, sub-programme manager or heads of division, implement remedial measures in an attempt to minimise the risk exposure.

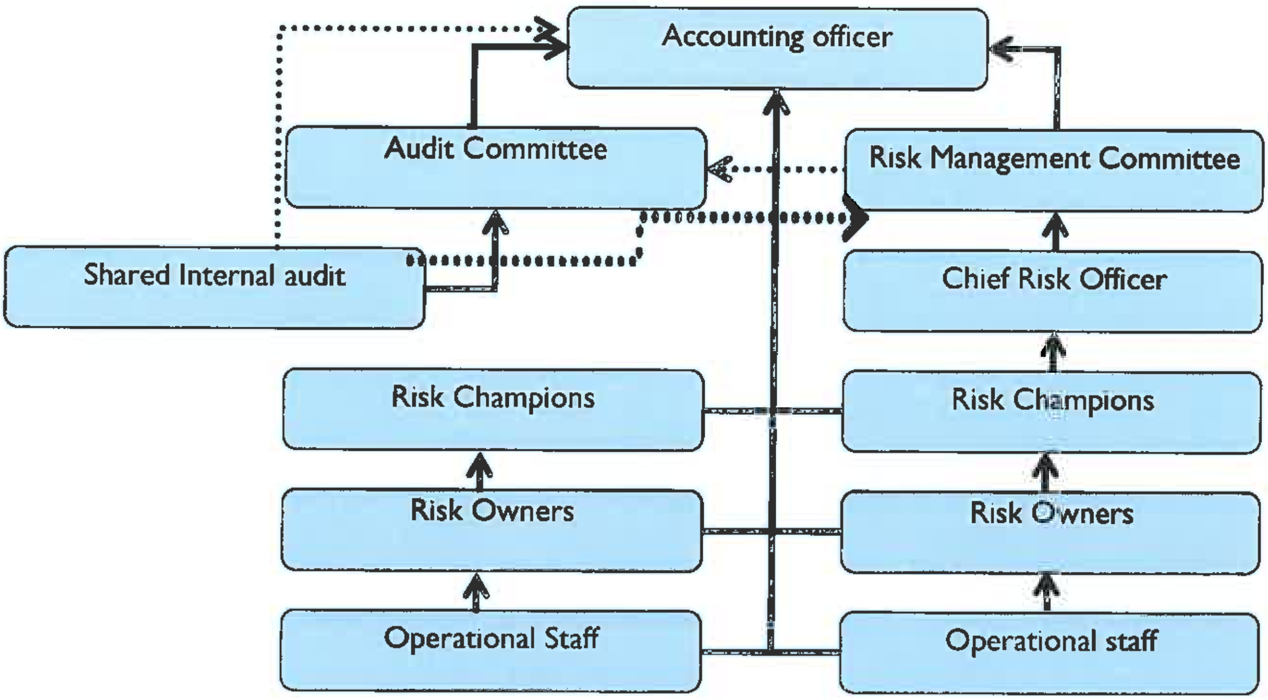
6 USER GUIDELINES

a) Risk Management has a strategic partnership with Human Resource Development, whereby risk management participates in induction processes to advocate how to identify risks, root causes and mitigating action (through workshops, brainstorming sessions etc.). The Accounting Officer has appointed risk owners and risk champions, these risk coordinators are drawn from existing resources from within the operations and functions of various business units.

b) A bottom-up approach will be adopted by the department whereby all risks will be identified at an operational level and be brought to the attention of risk champions and/or risk management and internal control directorate. All risks will be measured according to probability and impact in order to determine their severity. Significant risks will be brought to the attention of risk owners and thereafter escalated to the Risk Management Committee and Audit Committee.

c) The department utilizes the Shared Internal Audit services from Provincial Treasury to provide assurance as a risk based approach is used. Internal Audit is also accountable to report administratively to the accounting officer and functionally to the Audit Committee

d) The following diagram depicts this process:



7 RISK ASSESSMENT

7.1 Risk assessments shall be structured in an orderly fashion and conducted on a regular and ongoing basis per sub-programme and/or division in the manner approved by the RMC.

7.2 The Risk Management Committee must, on a regular basis ensure that risk assessments are conducted by management at all the sub-programmes or divisions within a sub-programme.

7.3 The following risk categories may, amongst others, be used when performing a risk assessment:

a) Human resources and related risks
b) Knowledge/Information Management
c) Litigation
d) Asset Management

e) Service Delivery
f) Health and Safety
g) Disaster Recovery
h) Compliance/regulatory/controls
i) Fraud and Corruption
j) Financial
k) Cultural
l) Reputation
m) Economic
n) Political
o) Natural Environment
p) Operational
q) Security
r) Others risks which may be identified from time to time as appropriate to the Department.

7.4 The RMC must annually undertake a risk assessment within the Department and develop a programme for the risk assessment.

7.5 The risk assessment programme should, amongst others, include information pertaining to:

a) The sub-programme and/or division within a sub-programme to be assessed;
b) The objectives and description of the sub-programme and or division within a sub-programme;
c) The last date assessed;
d) Name of manager responsible for the sub-programme and/or division within a sub-programme;
e) Method(s) to be used to assess risks; and
f) Approximate time provided for each assessment.

8 IMPLEMENTATION OF A MITIGATION PLAN

a) The Risk Management and Internal Control Directorate have implemented a schedule of perceived risk areas in the Department together with comments on the overall controls in each area. This schedule should also reflect management's comments on these risk areas and on other risk areas.

b) The Department maintains a risk management action plan in order to track implementation of mitigating actions.

9 FRAUD

a) Fraud represents a significant potential risk to the Department of Agriculture, Land Reform and Rural Development's assets, service delivery efficiency and reputation. The Department will not tolerate corrupt or fraudulent activities, whether internal or external to the Department, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

b) Due to the importance of Fraud prevention a separate policy has been developed to address issues of corruption.

10 REVIEW OF THE RISK MANAGEMENT STRATEGY

The Risk Management Committee must review the risk management strategy over the **Medium Term Strategic Framework** to ensure that it remains appropriate to the Department, and that the latest and best risk management practices have been adopted.

11 DISPUTE RESOLUTION

Where any dispute might arise with regard to the identification, prioritisation and/or control of risks, the matter shall be referred to the Risk Management Committee for resolution. The Risk Management Committee must review the matter and make recommendations to the Accounting Officer in order to resolve the dispute.

12 APPROVAL

12.1 The Risk Management Strategy has been endorsed by management.

Approved by:

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W.V Mothibi

HEAD OF DEPARTMENT

Date: 21/04/2016.........