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North West Provincial Government  
REPUBLIC OF SOUTH AFRICA



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## RISK & ETHICS MANAGEMENT

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*A long and healthy life for all communities of the North West Province*

### RISK MANAGEMENT POLICY

DECEMBER 2022

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<b>Review Date</b>	31 March 2024
<b>Description</b>	This policy defines the Department's position on Risk Management.
<b>Coverage</b>	This policy document is applicable to all officials and Stakeholders of North West Department of Health.
<b>Policy Number</b>	RMU22/P01/R23

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## DEFINITIONS OF TERMS

In this document the following shall have the following meaning:

- a) **Action Owner**” The person who executes risk treatment
- b) **Assurance**” Risk Assurance helps management to make well informed decisions
- c) **Audit Committee**” A committee formed in terms of Section 77 of the Public Finance Management Act 1, of 1999; that has the responsibility to oversee the processes of Risk Management within the Department
- d) **Business unit**” a specific functional area such as a Directorate or sub Directorate that is not attached to any Directorate
- e) **Chief Risk Officer**” “An employee with the specialist expertise to assist the institution to embed risk management and leverage its benefits to enhance performance
- f) **Executive Authority**” A member of the Executive Council (MEC) of the Department
- g) **NWDoH**” North West Department of Health
- h) **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.
- i) **Risk management**” A systematic and formalized process to identify, assess, manage and monitor risks.
- j) **Risk management framework**” Risk Management Framework adopted by National Treasury.
- k) **Risk Owner**” The person accountable for managing a particular risk.
- l) **Risk averse**” Risk aversion is a manifestation of people’s general preference for certainty over uncertainty, and for minimizing the magnitude of the worst possible outcomes to which they are exposed.

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- m) **Risk assessment**" a systematic process to quantify or qualify the level of the risk associated with a specific threat or event to enrich the risk intelligence available to the institution.
- n) **Risk Management Committee**" A committee established to assist the Head of Department in discharging his duties for Risk Management by providing direction over the implementation of the Risk Management Strategy.
- o) **Risk responses**" Appropriate steps taken or procedures implemented upon the discovery of an unacceptably high degree of exposure to one or more risks. Also called risk treatment or mitigating strategies.
- p) **Risk management strategy**" A document that outlines a high level plan on how the Department will go about implementing its risk management policy.
- q) **Risk Champions**" a person by a virtue of his/her expertise or authority champions a particular aspect of the risk management process.
- r) **Risk management policy**" a document which communicates the institution's stance with regard to risk management.
- s) **Strategic objectives**" areas of organizational performance which are critical to the achievements of its mission.

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## 1. POLICY STATEMENT

1.1. North West Department of Health understands and appreciates the fact that risks are inherent to any business environment and as such will take risks inherent to its business strategies but within predetermined and acceptable limits in an endeavor to achieve its corporate and business units' objectives as well as to deliver superior service to the Province as a whole.

1.2. The North West Department of Health business functions namely Provincial Office, Districts and Sub district Offices, Hospitals, Clinics and Community Health Centers, Programs and clinical support services, are expected to actively anticipate and manage their risks. The business functions should take advantage of opportunities and contain potential hazards in line with the Departmental risk tolerance.

The external and internal risks facing the organization are changing constantly and all the functions are expected to proactively:

1.2.1. Utilize experience through knowledge sharing;

1.2.2. Deal with ambiguity, uncertainty and increasing complexity;

1.2.3. Prioritize, make decisions and implement solutions on a timely basis;

1.2.4. Recognize and act on opportunities as they occur;

1.2.5. Ensure results in spite of a change in economic and/or political environments.

1.3. In this policy document, the risk tolerance level and risk appetite will be set with the aim of ensuring achievement of objectives of the Department.

1.4. The roles of different stakeholders will also be outlined in order to also assist in the management of Risk.

## 2. PURPOSE

The purpose of this policy is:

2.1. To align the Department's Risk Management processes with the principles of good corporate governance as anticipated by King IV report and the Public Sector Risk Management Framework; and



- 2.2. To set out systematic, comprehensive and formalized process to identify, assess, manage and monitor risks for NWDOH.

### **3. OBJECTIVES**

The objectives of this policy are to:

- 3.1. Regulate the facilitation, implementation and monitoring of risk management;
- 3.2. Provide value-adding recommendations to improve compliance in the Department;
- 3.3. Provide fundamental principles that shall be applied economically and efficiently to ensure the highest standard of service delivery;
- 3.4. Serve as a management system containing the appropriate elements aimed at minimizing risks and costs in the interest of all stakeholders;
- 3.5. Provide education and training of all Risk unit staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance with stakeholders expectations; and
- 3.6. Maintain an environment which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

### **4. LEGISLATIVE MANDATE**

- 4.1. The Public Finance Management Act 1 of 1999 Section 38(1) (a) (i) which requires the Accounting Officer to ensure and maintain an effective, efficient and transparent systems of financial and risk management and internal control.
- 4.2. Paragraph 3.2.1 of Treasury Regulations 2005 which state that the Accounting Officer must facilitate a risk assessment to determine the material risks to which the institution may be exposed to and to evaluate the strategy for managing these risks.



4.3. Paragraph 2 (3) Public sector risk management framework aims to support Departments to improve and sustain their performance by enhancing their systems of risk management to protect against adverse outcomes and optimize opportunities.

4.4. King IV on Corporate Governance which, in Part 3, advocates outcomes based approach emphasizing the achievement of governance outcomes through achieving the underlying principles of Ethical culture, Good Performance, Effective control and Legitimacy.

4.5. In terms of the International Standards for the Professional Practice of Internal Audit, determining whether risk management processes are effective or not effective is a judgment resulting from the Internal Auditor's assessment that:

## **5. SCOPE**

5.1 This policy is applicable to the whole of North West Department of Health. It is also applicable to institutions which receive funding in full or partially from NWDoH.

## **6. ROLES AND RESPONSIBILITIES**

### **6.1 Risk Management Oversight**

#### **6.1.1 Executive Authority**

The Executive Authority should take an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the institution against significant risks.

Responsibilities of the Executive Authority in risk management should include:

- a) Ensuring that the institutional strategies are aligned to the government mandate



- b) Obtaining assurance from management that the institution's strategic choices were based on a rigorous assessment of risk;
- c) Obtaining assurance that key risks inherent in NWDOH's strategies were identified and assessed, and are being properly managed;
- d) Assisting the Accounting Officer to deal with discal, intergovernmental, political and other risks beyond their direct control and influence; and
- e) Insisting on the achievement of objectives, effective performance management and value for money.

#### **6.1.2 Risk Management Committee**

- 1) The Risk Management Committee is appointed by the Accounting Officer to assist them to discharge their responsibilities for risk management.
- 2) The membership of the Risk Management Committee will comprise of both management and external members with the necessary blend of skills, competencies and attributes, including the following critical aspects:
  - 3) An intimate understanding of NWDOH's mandate and operations;
  - 4) The ability to act independently and objectively in the interest of NWDOH;
  - 5) A thorough knowledge of the risk management principles and their application;
- 6) The Chairperson of the Risk Management Committee will be an independent external person, appointed by the Accounting Officer. The responsibilities of the Risk Management Committee should be formally defined in a charter approved by the Accounting Officer;
- 7) In discharging its governance responsibilities relating to risk management, the Risk Management Committee should:

A. Review and recommend for the Approval of the Executive Authority/Accounting Officer, the:

- a) Risk management policy;
- b) Business Continuity Management Policy;
- c) Risk management strategy;





- d) Risk management implementation plan;
- e) Institution's risk appetite, ensuring that limits are:
  - (i) Supported by rigorous analysis and expert judgement;
  - (ii) Expressed in the same values as the key performance indicators to which they apply;
  - (iii) Set for all material risks individually, as well as in aggregate for particular categorisations of risks; and
  - (iv) Consistent with the materiality and significance framework.
- 1) Institution's risk tolerance, ensuring that limits are supported by a rigorous analysis and expert judgement of:
  - a) The institution's ability to withstand significant shocks; and
  - b) The institution's ability to recover financial and operationally from significant shocks.
- 2) Institution's risk identification and assessment methodologies.

After satisfying itself of their effectiveness in timeously and accurately identifying and assessing the institution's risks.
- B. Evaluate the extent and effectiveness of integration of risk management within the institution.
- C. Access implementation of the risk management policy and strategy (including plan);
- D. Evaluate the effectiveness of the mitigating strategies implemented to address the material risks of the institution;
- E. Review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;
- F. Develop its own key performance indicators for approval by the Accounting Officer;

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- G. Interact with the Audit Committee to share information relating to material risks of the institutions; and
- H. Provide timely and useful reports to the Accounting Officer on the state of risk management, together with accompanying recommendations to address any deficiencies identified by the Committee.

### **6.1.3 Audit Committee**

- 6.1.3.1. The Audit Committee is an independent committee responsible for oversight of the institution's control, governance and risk management;
- 6.1.3.2 The responsibilities of the Audit Committee with respect to risk management should be formally defined in its charter;
- 6.1.3.3 The Audit Committee should provide an independent and objective view of the institutions risk management effectiveness
- 6.1.3.4 Responsibilities of the Audit Committee, where there is a separate Risk Management Committee, should include:
  - a) Reviewing and recommending disclosures on matters of risk in the annual financial statements;
  - b) Reviewing and recommending disclosures on matters of risks and risk management in the annual report;
  - c) Providing regular feedback to the Accounting Officer/Authority on the adequacy and effectiveness of risk management in the institution, including recommendations for improvement;
  - d) Ensuring that the internal and external audit plans are aligned to the risk profile of the institution;
  - e) Satisfying itself that it has appropriately addressed the following areas:
    - i) Financial reporting risks, including the risk of fraud;
    - ii) Business Continuity Risks;
    - iii) Internal financial control; and
    - iv) ICT risks as they relate to financial reporting



6.1.3.5 The Audit Committee should evaluate the effectiveness of Internal Audit in its responsibilities for risk management.

## **6.2 Risk Management Implementers**

### **6.2.1 Accounting Officer**

- 6.2.1.1 Is accountable for the institution's overall governance of risk
- 6.2.1.2 Set an appropriate tone by supporting and being seen to be supporting the NWDOH's aspirations for effective management of risks;
- 6.2.1.3 Delegate responsibilities for risk management to management and to internal formations such as the Risk Management Committee, Fraud Prevention Committee, Finance Committee, Information and Communication Technology Committee
- 6.2.1.3 Hold management accountable for designing, implementing, monitoring and integrating risk management into their day-to-day activities;
- 6.2.1.4 Hold the internal structures referred to in 6.2.1.2 accountable for performance in terms of their responsibilities for risk management;
- 6.2.1.5 Provides leadership and guidance to enable Management and internal structures responsible for various aspects of risk management to properly perform their function;
- 6.2.1.6 Ensures that the control environment supports the effective functioning of risks management as discussed in Section 3;
- 6.2.1.7 Approves the risk management policy, strategy, and implementation plan;
- 6.2.1.8 Approves the fraud prevention policy, strategy and implementation plan;
- 6.2.1.9 Approves the Institution's risk appetite and risk tolerance;
- 6.2.1.10 Devotes personal attention to overseeing management of the significant risks;

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6.2.1.11 Leverages the Audit Committee, Internal Audit, External Audit and Risk Management Committee for assurance on the effectiveness of risk management;

6.2.1.12 Ensures appropriate action in respect of the recommendations of the Audit Committee, Internal Audit, External Audit and Risk Management Committee to improve risk management, and

6.2.1.13 Provides assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated.

## **6.2.2 Management**

6.2.2.1. Risk identification, assessment and development of response strategies

6.2.2.2. Empowering officials to perform effectively in their risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;

6.2.2.3. Aligning the functional risk management methodologies and processes with the institutional process;

6.2.2.4. Devoting personal attention to overseeing the management of key risks within their area of responsibility;

6.2.2.5. Maintaining a cooperative relationship with the Risk Management Unit and Risk Champion;

6.2.2.6. Providing risk management reports;

6.2.2.7. Presenting to the Risk Management and Audit Committee as requested;

6.2.2.8. Maintaining the proper functioning of the control environment within their area of responsibility;

6.2.2.9. Monitoring risk management within their area of responsibility; and

6.2.2.10. Holding officials accountable for their specific risk management responsibilities.

6.2.2.11. Identifying emerging risks and adjusting the treatment plans accordingly.

6.2.2.12. Ensures that all departmental submissions to Accounting Officer includes Risk Implications.

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## **6.2.3**

### **Other Officials**

- 6.2.3.1. Applying the risk management processes in their respective functions;
- 6.2.3.2. Implementing the delegated action plans to address the identified risks;
- 6.2.3.3. Informing their supervisors and/or the Risk Management Unit of new risks and significant changes in known risks; and
- 6.2.3.4. Co-operating with other role players in the risk management process and providing information as required.

## **6.3 Risk Management Support**

### **6.3.1**

#### **Chief Risk Officer**

- 6.3.1.1. Working with senior management to develop the institution's vision for risk management;
- 6.3.1.2. Developing, in consultation with management, the institution's risk management framework incorporating, inter alia, the:
  - a) Risk management policy;
  - b) Business Continuity Management policy;
  - c) Risk management strategy;
  - d) Risk management implementation plan;
  - e) Risk identification and assessment methodology; risk appetite and tolerance; and Risk classification
- 6.3.1.3. Communicating the institution's risk management framework to all stakeholders in the institution and monitoring its implementation;
- 6.3.1.4. Facilitating orientation and training for the Risk Management Committee;
- 6.3.1.5. Training all stakeholders in their risk management functions
- 6.3.1.6. Continuously driving risk management to higher levels of maturity;
- 6.3.1.7. Assisting Management with risk identification, assessment and development of response strategies
- 6.3.1.8. Monitoring the implementation of the response strategies;
- 6.3.1.9. Collating, aggregating, interpreting and analysing the results of risks assessments to extract risk intelligence;
- 6.3.1.10. Reporting risk intelligence to the Accounting Officer/Authority, Management and the Risk Management Committee; and participating with internal audit,

management and Auditor-General in developing the combined assurance plan for the institution.

## **6.3.2 Risk Champion**

- 6.3.2.1. Intervene in instances where the risk management efforts are being hampered, for example, by the lack of cooperation by Management and other officials and the lack of institutional skills and expertise;
- 6.3.2.2. Add value to the risk management process by providing guidance and support to manage “problematic” risks and risks of a transversal nature that require a multiple participant approach
- 6.3.2.3. Not assume the role of the Risk Owner but should assist the Risk Owner to resolve problems.

## **6.3.3 Provincial Risk Management Unit**

- 6.3.3.1. Monitoring and assessing the implementation of Risk Management.
- 6.3.3.2. Build Risk Management capacity.
- 6.3.3.3. Enforce compliance to the Public Finance Management Act, pertaining to implementation of specific prescripts on Risk Management.

## **6.4 Risk Management Assurance Providers**

### **6.4.1 Provincial Internal Audit**

- 6.4.1.1. Provide an independent, objective assurance on the effectiveness of the institution's system of risk management.
- 6.4.1.2. Evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement when necessary;
- 6.4.1.3. Develop its internal audit plan on the basis of the key risk areas;

### **6.4.2 External Audit (Auditor-General of South Africa)**

- 6.4.2.1. Provides an independent opinion on the effectiveness of risk management;
- 6.4.2.2. In providing the audit opinion, the Auditor-General of South Africa usually focuses on:



- a) Determining whether the risk management policy, strategy and implementation plan are in place and are appropriate;
- b) Assessing the implementation of the risk management policy strategy and implementation plan;
- c) Reviewing the risk identification process to determine if it is sufficiently robust to facilitate the timely, correct and complete identification of significant risks, including new and emerging risks;
- d) Reviewing the risk assessment process to determine if it is sufficiently robust to facilitate timely and accurate risk rating and prioritisation; and
- e) Determining whether the management action plans to mitigate the key risks are appropriate, and are being effectively implemented.

## **7. RISK MANAGEMENT PROCESS FRAMEWORK**

### **7.1. Governance and Culture**

- 7.1.1. Governance sets the organization's tone, reinforcing the importance of, and establishing oversight responsibilities for, enterprise risk management.
- 7.1.2. Culture pertains to ethical values, desired behaviours, and understanding of risk in the entity.

### **7.2. Strategy and Objective-Setting**

- 7.2.1. Enterprise risk management, strategy, and objective-setting work together in the strategic-planning process.
- 7.2.2. A risk appetite is established and aligned with strategy; business objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk.

### **7.3. Performance**

- 7.3.1. Risks that may impact the achievement of strategy and business objectives need to be identified and assessed.
- 7.3.2. Risks are prioritized by severity in the context of risk appetite.

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7.3.3. The organization then selects risk responses and takes a portfolio view of the amount of risk it has assumed.

7.3.4. The results of this process are reported to key risk stakeholders.

#### 7.4. Review and Revision

7.4.1. By reviewing entity performance, an organization can consider how well the enterprise risk management components are functioning over time and in light of substantial changes, and what revisions are needed.

#### 7.5. Information, Communication, and Reporting

7.5.1. Enterprise risk management requires a continual process of obtaining and sharing necessary information, from both internal and external sources, which flows up, down, and across the organization.

The five components in Framework is detailed as per the below table:

<b>Governance &amp; Culture</b>	<b>Strategy and Objective-Setting</b>	<b>Performance</b>	<b>Review &amp; Revision</b>	<b>Information, Communication &amp; Reporting</b>
1. Exercises Board Risk Oversight	6. Analyses Business Context	10. Identifies Risk	15. Assesses Substantial Change	18. Leverages Information and Technology
2. Establishes Operating Structures	7. Defines Risk Appetite	11. Assesses Severity of Risk	16. Reviews Risk and Performance	19. Communicates Risk Information
3. Defines Desired Culture	8. Evaluates Alternative Strategies	12. Prioritizes Risks	17. Pursues Improvement in Enterprise Risk Management	20. Reports on Risk, Culture and Performance
4. Demonstrates Commitment to Core Values	9. Formulates Business Objectives	13. Implements Risk Responses		
5. Attracts, Develops, and Retains Capable Individuals		14. Develops Portfolio View		



## **8. RISK REPORTING**

- 8.1. Risk owners shall report at least quarterly on the key Strategic risks and on progress made in the implementation of then treatment plans as per reporting format.
- 8.2. Risk owners shall report at least monthly on the Operational risks and on progress made in the implementation of then treatment plans as per reporting format.
- 8.3. Management of risks shall be a standing item in management meetings.
- 8.4. Risk Reporting shall include progress on implementation of findings from combined Assurance Reports (Auditor General of South Africa, Provincial Internal Audit and the respective Post Audit Action Plans).
- 8.5. Risk Management unit shall consolidate the risk reports.

## **9. MONITORING**

- 9.1. The Risk Management Committee shall on a continuous basis monitor:
  - a) Implementation of the Risk, management policies, strategies and plans.
  - b) The effectiveness of risk operations and processes.
- 9.2. Monitoring shall be done quarterly for the strategic risk register, operational plans, and monthly for operational risk registers.
- 9.3. Risk Management unit shall also provide guidance as far as is necessary to all Risk owners.

## **10. RISK APPETITE AND RISK TOLERANCE LEVELS**

- 10.1. Risk appetite is developed at the department level by senior management and proposed to the Accounting Officer for approval.
- 10.2. The risk appetite and tolerance for the department shall be reviewed and regularly updated by Senior Management at least annually.



- 10.3. The Accounting Officer should regularly review all risks that have exceeded tolerance level.
- 10.4. The acceptable level of Risk Appetite is 85% achievement of performance indicators as set on the Annual Performance Plan.
- 10.5. The tolerance level is reflected on the risk rating matrix as per the departmental risk management strategy;
  - a) All risks with residual ratings of, "Medium, "High" or "Maximum" are beyond departmental tolerance levels and should be managed to an acceptable level".
  - b) All risk with residual ratings of "low" and "very low" are deemed acceptable.

## **11. POLICY IMPLEMENTATION**

- 11.1 Implementation of this policy as in line with Risk Management Strategy shall be done by communicating the policy through workshops and meetings.
- 11.2 It is expected that Department's operations and processes shall be subject to the risk management processes.
- 11.3 This policy shall be implemented effective from 1 April 2023, in line with the implementation plan that will be developed by the Risk Management Unit.

## **12. NON COMPLIANCE**

- 12.1 Disciplinary measures shall be taken against any official who does not adhere to the provision of the policy.



### 13. POLICY MONITORING AND REVIEW

- 13.1 This policy shall be reviewed by the end of its expiry period 31 March 2024 or as and when required to ensure alignment and relevance to any significant changes in the professional, regulatory, governance and any other environments that affect functionality of risk management processes.

- 13.2 Monitoring of the policy will be done by senior member of Risk Management Unit.

### 14. POLICY APPROVAL:



MR. A. L. Gopane

Independent Chairperson: Risk Management Committee

31/01/2023

Date

Recommended/ ~~not recommended~~



Mr. O. E. Mongale

Suprintendent General: NWDoH

31/01/2023

Date

Approved/ ~~not approved~~



HON. MEC. Mr. M. Sambatha

North West Department of Health

01/02/2023

Date