



COMMUNITY SCHEMES OMBUD SERVICE

RISK MANAGEMENT

POLICY

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Policy Approval

The signatories below, and as delegated, by their signatures authorize the implementation/ adoption of this policy and the execution of the work detailed in the policy for and on behalf of the parties represented by them.

Responsible Person/Structure	COMMENTS
<p>.....</p> <p>Chief Ombud – CSOS</p> <p>Date:</p>	<p>Certified that content is aligned to other relevant legislations and applicable prescripts, and rules and processes are clearly defined.</p> <p>The Policy was discussed at EXCO and recommended for approval</p>
<p>.....</p> <p>Chairperson: Audit and Risk Committee</p> <p>Date:</p>	<p>The policy was presented and discussed at the ARCO and all inputs were addressed.</p> <p>Recommend for approval</p>
<p>.....</p> <p>Chairperson of the Board</p> <p>Date:</p>	<p>Final Approval.</p>

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1 INTRODUCTION

- 1.1 The Community Schemes Ombud Service (CSOS) has committed itself to a process for risk management that is aligned to the principles of good corporate governance, as legislated by Section 51 (1) (a) (i) of the Public Finances Management Act (PFMA), Act 1 of 1999 as amended by Act 29 of 1999 and Treasury Regulations.
- 1.2 In developing this policy, the CSOS considered the requirements of the National Treasury Public Sector Risk Management Framework which encourages all public sector institutions to treat risk management as an integral part of their existence. The Framework aims to ensure that public sector institutions share a common approach to risk management whilst providing sufficient scope for institutions to adapt certain aspects to suit their own institutional requirements.
- 1.3 This policy details procedures linked to Risk Management and its processes to minimize the occurrence of risks and ensure proper administrative and management procedures in the CSOS. It also ensures that internal controls are adhered to, improved and implemented by all officials and management. The management of risk is the process by which the CSOS will pro-actively, purposefully and regularly, but at least annually, identify and define current as well as emerging business, financial and operational risks and identify appropriate, business and cost effective methods of managing these risks within the Service as well as the risk to the stakeholders.
- 1.4 The Policy Statement reflect that this Policy aims to pursue a structured approach to the effective management of risk in pursuit of CSOS objectives. The realization of CSOS strategic plan depends being able to take calculated risks in a way that does not jeopardise the interest of our stakeholders. Sound management of risk will enable the CSOS to anticipate and respond to changes in our environment, as well as taking informed decisions under conditions of uncertainties.

2 DEFINITIONS

Term	Description
Risk	Risk is defined as threat that an event or action will adversely affect an organization's ability to achieve its business objectives and execute its strategies successfully.
Risk Assessment	The overall process of risk identification, analysis and evaluation
Risk Management	Risk Management is a continuous, proactive and systematic process, effected by the entity's executive authority, accounting officer,

	management and other personnel, applied in strategic planning and across the entity, designed to identify potential events that may affect the organization, and manage risks to be within its risk tolerance, to provide reasonable assurance regarding the achievement of objectives
Risk Appetite and Tolerance	<p>Risk Appetite is the broad based level of risk that the CSOS is willing to accept in pursuing its corporate goals and strategic interventions.</p> <p>Risk Tolerance is the acceptable level of variation relative to the achievement of objectives usually expressed as desired residual exposure</p>
Risk Treatment	A risk management component which relates to the policies, procedures, processes and controls implemented by management to avoid, reduce, share or accept risks associated with specified future event taking into account the risk tolerances of the organisation and the cost versus benefit including the effect on event likelihood and impact.
Risk Management Framework	Risk Management Framework provides a guide for the implementation of risk management within CSOS, and suggests that risk management is a formal step-by-step process that can be applied at all levels of the organisation. These principles need to be implemented within the context of each division who should implement this framework in the development of their own risk management strategies/treatments.
Risk Management Implementation Plan	<p>The Risk Management Implementation Plan covers the key activities, timelines and responsible person.</p> <p>The primary objective of risk management implementation plan is to facilitate the execution of risk management. The risk management implementation plan will give effect to the implementation of the risk management policy, and strategy and framework.</p>
Enterprise-Wide Risk Management	Enterprise-wide risk management (ERM) is a structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of its objectives.
Combined Assurance	Combined Assurance is a process of integrating and aligning assurance processes to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the Audit Committee, considering the company's risk appetite.

3 LEGAL MANDATE (AUTHORITY) OR OTHER PRESCRIPTS

- 3.1 In terms of Section 51 of the Public Finance Management Act 1 of 1999 as amended (PFMA), the Accounting Authority must ensure that the Public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The extension of the general responsibilities, in terms of Section 57 of the PFMA, to all officials is a cornerstone in the institutionalization of risk management. It establishes accountability for risk management at all levels of organization as it dictate that all official must ensure that the system of financial management and internal control established within the area of responsibility of that official.
- 3.2 The Companies Act places legal responsibility for risk management on the Board of Directors. It requires the adoption of a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management.
- 3.3 King III emphasised that the board should be responsible for the governance of risk; and should delegate to management the responsibility to design, implement and monitor the risk management programme.
- 3.4 Enterprise-Wide Risk Management Framework provides for a structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of its objectives.
- 3.5 National Treasury Public Sector Risk Management Framework which is aligned to the Enterprise-Wide Risk Management Framework respond to the requirements of the Public Finance Management Act for institutions to implement and maintain effective, efficient and transparent systems of risk management and control.

4 TIME FACTOR

- 4.1 The Risk Management Policy comes into operation after final approval by the Board.

5 SCOPE OF APPLICATION

- 5.1 This policy shall be applicable to every employee of the CSOS and the Board. This policy is not intended to duplicate existing formal and documented risk management processes but rather to enrich and guide the risk management processes.

6. ROLES AND RESPONSIBILITIES OF ALL OFFICIALS REGARDING MANAGEMENT OF RISKS

The following are the key responsibilities for the each role:

Designation	Responsibilities
Accounting Authority/Board	<p>The Board shall:</p> <ul style="list-style-type: none"> • Approves the risk management policies, strategies (risk management framework, risk appetite and tolerance framework) or any other related framework or strategy. • Leverages the oversight structures and other appropriate structures for assurance on the effectiveness of risk management.
Chief Ombud	<p>The Chief Ombud/Chief Executive Officer shall:</p> <ul style="list-style-type: none"> • Sets the tone at the top by supporting Enterprise Risk Management and allocating resources to implement the function. • Provides leadership and guidance for the implementation of risk management. • Ensures that the recommendations by all risk management assurance structures are implemented for improvement of risk management activities.
Management	<p>Management shall:</p> <ul style="list-style-type: none"> • Takes ownership of risks within their functional areas and all responsibilities in managing such risks; • Cascades risk management into their functional responsibility; • Maintain the risks within the acceptable levels; • Continuously provides reports on the functional risk management as requested; and • Manages all unacceptable risks and devote efficient resources to treat such risks.
Other Officials	<p>The other officials shall:</p> <ul style="list-style-type: none"> • Participate in risk identification and risk assessment within their respective units;

	<ul style="list-style-type: none"> • Implement the risk responses to address the identified risks; • Provides information and cooperation with other role players; • Maintain and monitor the functioning of the internal controls.
Risk Manager	<p>The Risk Manager Officer shall:</p> <ul style="list-style-type: none"> • Develops the Enterprise Risk Management Framework, Risk Management Strategy/Risk Management Implementation Plan, Risk Management Policy, Fraud prevention plan, and risk appetite for approval. • Champions and communicate all risk management strategies and policies to all staff and relevant stakeholders; • Coordinates and facilitate the risk identification and risk assessment processes within the CSOS; • Assists management in developing and implementing the risk responses for the identified risks; • Ensures effective information systems to facilitate risk management improvements; • Compiles risk management report to management and oversight structures for decision making and improved service delivery; and • Analyses the results of risk assessment processes to identify trends, and develop the necessary control intervention to manage such trends.
Internal Audit	<p>Provides independent and objective review of:</p> <ul style="list-style-type: none"> • The efficacy of the overall system of Risk Management; and • The adequacy and effectiveness of controls introduced to mitigate risks.
Audit and Risk Committee (ARCO)	<p>The extensive roles of the committee (ARCO) will be defined in the terms of reference.</p> <p>Among others, the Committee shall review and recommend for the approval of the Board; the:</p> <ul style="list-style-type: none"> (i) risk management policy; (ii) risk management strategy; (iii) risk management implementation plan; (iv) Institution's risk appetite,

	The committees provide oversight responsibilities on the design and implementation of risk management programme.
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8. GOVERNANCE OF RISK

The King Report on Governance for South Africa (King III) set out the following principles for risk governance which the CSOS adopts:

8.1 The Board Responsibilities for risk governance

8.1.1 Principle 1

The Board is responsible for the governance of risk. All applicable plans and structures will be developed and established. The Risk Management Strategy/Framework will be used to provide detailed activities for the implementation of the risk management programme.

8.1.2 Principle 2

The Board determines the levels of risk tolerance. The CSOS will develop a Risk Appetite Framework which will include the tolerance levels. Such should be aligned to the strategic risk profile of the organisation.

8.1.3 Principle 3

The Audit and Risk Committee shall assist the Board in carrying out its risk responsibilities. The Committees will have operating procedures detailing the roles, responsibilities including authority and other administrative issues. The Committee shall provide reports and recommendations to the Board.

8.2 Management's responsibility for risk management

8.2.1 Principle 4

The Board shall delegate to management the responsibility to design, implement and monitor the risk management plan. The Chief Ombud shall be delegated the responsibilities of risk management. The Risk Manager/Risk Manager Officer shall champion the risk management programme of the CSOS.

8.2.2 Principle 5

The Board shall ensure that risk assessments are performed on a continual basis. Strategic risk reviews shall be conducted annually and operational risk reviews will be done regularly throughout the year.

8.2.3 Principle 6

The Board shall ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks. Management structures shall be used to oversee the applicable frameworks and methodologies. The Audit and Risk Committee will oversee the implementation of frameworks and methodologies.

8.3 Risk Responses

8.3.1 Principle 7

The Board shall ensure that management considers and implements appropriate risk responses. Risk responses/treatments which are cost beneficial shall be implemented to address the risk identified.

8.4 Risk Monitoring

8.4.1 Principle 8

The Board shall ensure continual risk monitoring by management. It will be every official's responsibility to manage or control risks in their area of operations. Management structure i.e. Executive Committee and the Audit and Risk Committee shall also play an oversight roles.

8.5 Risk Assurance

8.5.1 Principle 9

The Board shall receive assurance regarding the effectiveness of the risk management process. A combined assurance model will be used for risk assurance to enhance the risk management processes.

8.6 Risk Disclosure

8.6.1 Principle 10

The Board shall ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders. Risk Management information shall be included in the quarterly and annual reports of the CSOS.

9. RISK MANAGEMENT PROCESS

The CSOS adopted the National Treasury Public Risk Management Framework. This process of managing risks as described in this document is a structured, interrelated and interdependent eight-step approach that enables to incorporate risk management into the broader management frameworks.

9.1 Control Environment

The control environment sets the tone of an organization and influences how strategies and objectives are established; activities are structured; and the manner in which risks are identified, assessed and acted upon. It comprises many elements including the ethical values, integrity, discipline, competence, operating style, assigning of authority and responsibility. The CSOS shall constantly review the control environment to determine its relevance.

9.2 Objective Setting

Objectives must exist before management can identify events potentially affecting their achievement. Risk management ensures that management has a process in place for setting and aligning the objectives with the vision/mission of the CSOS. The CSOS shall ensure that the strategic plan is developed and reviewed the risk identification and assessment shall be done.

9.3 Event/Risk Identification

The purpose of risk identification exercise is to identify, discuss and document the risks facing the CSOS. The identification process covers internal and, external, as well as financial and non-financial factors that may give rise to risks and opportunities. Management remains accountable to identify risks facing their operations.

9.4 Risk Assessment

Risk assessment measures the likelihood and the impact which the potential risk has on the organization. Risk assessment shall be conducted continually. CSOS shall conduct strategic risk assessment annually and operational risk assessment on a regular basis. The risk assessment results shall be updated on the technical electronic system (risk management system) as and when the CSOS is ready.

9.5 Risk Management Strategy/ Response/Risk Treatment

Management shall identify risk management strategy options, which should include a fraud prevention plan, and consider their effect on event likelihood and impact, in relation to risk tolerance levels, risk appetite, costs versus benefits, and thereafter design and implement response options.

Where current risk mitigation controls are deemed ineffective and therefore warrant action, management will prepare appropriate control improvement and action plans. Included in each control plan will be the allocation of accountabilities, expected outcomes and action dates for the implementation and measurement of the control improvement plan.

9.6 Control Activities

Control activities are the policies and procedures of the CSOS that help to ensure that risk management strategies are properly executed. They occur throughout the CSOS, at all levels and in all functions. The CSOS shall ensure that control activities exist in ensuring that there is effective and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

9.7 Information & Communication

The CSOS is committed to producing and implementing a risk management strategy, which is integral to its management principle in achieving its corporate objectives and framework for good governance. Education and training of all staff shall be conducted to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholders' expectations.

9.8 Risk Monitoring

Risk management processes should be monitored regularly. A process that assesses both the presence and functioning of its components and the quality of their performance over time should be used. Monitoring mechanisms will be embedded into the electronic system.

Internal Audit shall through their reviews monitor key controls identified in the risk management system as part of the risk based annual internal audit plan.

10. POLICY CONTROLS

Implementation	The Risk Manager is responsible for the maintenance and improvement of the policy drafting and review processes and procedures.
Monitoring and evaluation	The Internal Auditor is responsible to perform audits on all CSOS policies to determine compliance with governance processes.
Development and/or review	<p>At least on annual basis, the policy should be subjected to review more especially when legislation, systems or procedures have changed to such an extent that a review and amendments to this Policy will be necessary.</p> <p>The Risk Manager is responsible for the administration, revision and interpretation of the policy. The policy shall be reviewed annually in order to ensure its continued relevance.</p>
Interpretation and advice	The Risk Manager may be consulted for clarification on the context and content of this policy.
Communication	<p>The Policy will be communicated to affected parties in the following ways:</p> <ul style="list-style-type: none"> • The policy will be posted on a specifically dedicated policy micro-site of the CSOS Intranet. • The Board and employee induction process will alert all CSOS parties of the content of this policy.