



RISK MANAGEMENT COMMITTEE PRESENTATION TO PORTFOLIO COMMITTEE

**“Challenges causing recurring negative
audit outcomes”**

17 October 2018



**international relations
& cooperation**

Department:
International Relations and Cooperation
REPUBLIC OF SOUTH AFRICA

Presentation Outline

1. Part A – General Overview of the Risk Management Committee’s purpose, authority & reporting
2. Part B – 2017/18 Dept Risk Management Report
3. Part C – deficiencies & recommendations for the recurring negative audit outcomes



General overview of Risk Management Committee (“Committee”)

DIRCO’s Risk Management Committee is established in terms of the Public Finance Management Act, 1 of 1999 as amended, specifically Section 38 (1)(a)(i), 51 (1)(a)(i), 57 (a); National Treasury Regulations (2005) Section 27.2; National Treasury Public Sector Risk Management Framework (2010) and King III Report on Corporate Governance Chapter 4 and Batho Pele Principles.



Purpose of Risk Management Committee

Its purpose is as follows:

- To assist the Accounting Officer in discharging his/her accountability for risk management by reviewing and overseeing the effectiveness of the Department's risk management systems, practices and procedures, and providing recommendations for improvement.
- To formulate, promote and review the department's Enterprise-Wide Risk Management (ERM) objectives, strategy and policy and monitor the process at strategic, management and operational levels and providing recommendations for improvement.



Authority of the Risk Management Committee

- The Committee shall have the requisite authority to request management to appear before it to account for their delegated responsibilities in respect of risk management.
- Review any material findings and recommendations by assurance providers (e.g. Internal and External Audit) on the system of risk management and monitor that appropriate action is instituted to address the identified weaknesses



Reporting of the Risk Management Committee

- The Chairperson of the Risk Management Committee will report the proceedings of each Committee meeting to the Accounting Officer and make recommendations concerning the adoption of risk management reports and any other matters arising from risk management processes.
- The Chairperson of the Risk Management Committee or Chief Risk Officer will share the Risk Management Committee proceedings findings and recommendations with the Audit Committee at the next scheduled Audit Committee meeting.



PART B: 2017/18 Risk Management Report



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Risk Management Report (as per DIRCO Annual Report)

DIRCO continues to demonstrate some level of commitment to systems of risk management as it:

- established Risk Management Committee in line with PFMA and Public Sector Risk Management Framework, with clear roles and responsibilities
- Development and implementation of Risk Management policy, strategy and implementation Plan
- Conducts annual risk assessments at Head Office Branches and some Missions abroad
- Continuously identify emerging risks as well as implementing mitigating strategies (this is evident in the annual performance plan achievement).
- The consistent positive independent assessment from MPAT shows that dept has put adequate measures in the establishment of its risk management structure.

PART C: deficiencies & recommendations for the recurring negative audit outcomes



Risk Assessments: RMC Interventions [1]

Risk assessments were undertaken in the key areas of the department with inherent risks:

1. Assets Management

- The weaknesses in the procurement of the asset management system that the department utilises, has led to inherent risks that came with the system not being effectively mitigated thereby leading to inconsistencies currently found on the assets register.
- A root cause analysis conducted, after the fact, revealed that some of the inaccuracies in the asset register were caused by gaps in the process of inputting/updating information of missions on the assets register.
- Risk management has recommended to management that the asset management system and procedures should be reviewed to determine their capability and adequacy for the department. Management is currently considering this recommendation.



Risk Assessments: RMC Interventions [2]

2. Irregular Expenditure

- Risk Management team conducts risk assessments on all bids that were valued R500 000 and above. The purpose of this assessment is to empower the various decision making structures to have an informed basis at which a decision to award or not will be supported.
- Whenever these risk assessments are conducted with end-users, there was a workshop accompanying the assessments to raise awareness on good governance principles relating to procurement.
- The risk management team conducts workshops at the budget mid-term review sessions held with the Missions' Corporate Services Managers addressing risk topics such as irregular expenditure, unauthorised expenditure, assets management, as well as anti-fraud and corruption.



Risk Challenges and Interventions [1]

Challenges & Deficiencies	Intervention	Status
Ineffective Risk Management oversight structure	Restructure the Departmental Risk Management Committee	Updated Risk Management Committee implemented on April 2018
The risk management culture and practices within the department not effective	Review the risk management frameworks for the department to address the identified deficiencies	Risk management frameworks updated to be implemented by end 2018/19
Departmental leadership's disengagement with recommendations or advise from risk management structures (Poor buy-in)	Risk Management Committee Chair to engage DG Forum and Heads of Mission to sensitise the on risk management	Engagements scheduled for October 2018
Long standing lack of consequence management within the department	Break the culture of impunity within the Department. Risk Management Committee to improve the monitoring of the implementation of consequence management based on incident registers	Some progress is noted as the DG has initiated disciplinary measures against some senior leaders. Risk committee is improving the monitoring the incident registers from 18 July 2018



Risk Challenges and Interventions [2]

Challenges & Deficiencies	Intervention	Status
Risk management processes not visible throughout the lifecycle of ARF funded projects	<ul style="list-style-type: none"> • ARF secretariat to ensure visibility of risk assessments prior to approval of funding proposal • Risk management function to validate the process implemented by the secretariat 	Implemented
Core support components such as Supply Chain Management, ICT and Performance Information not adequately managing risk as a result of this there were repeat findings on the said sections.	Risk function to provide additional risk support to these functions	Ongoing
The size and scope of the risk function is inadequate to service the department.	Explore different approaches to build an effective risk management programme with the resources and continue to lobby for additional resources.	The risk function is currently engaging with the departmental leadership to address this challenge



Thank you!

