

GUIDE ON RISK THRESHOLDS

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CONTENTS

- Purpose of Presentation
- Method/ Approach Used
- Guide Structure
- Purpose of the Guide
- Risk Thresholds Cycle
- Risk Thresholds Process Flow
- Conclusion

PURPOSE OF PRESENTATION

- ❑ The presentation aims to communicate the following:
 - approval process of the guide
 - the principle that is being taken towards the development and implementation of risk thresholds

- ❑ Need two organisations that are ready to volunteer implementation.

METHOD USED

- Used the directives of PSRMF [16 (5)(c); 17(4); 22(c)(i); 24 (5)(a)]
- Research:
 - ↔ available frameworks e.g. ISO, COSO, etc.
 - ↔ Desktop research and analysis
 - ↔ Risk forums sessions, i.e. Road Accident Fund
 - ↔ IRMSA Guidelines
- Used or considered government prescripts and planing frameworks e.g. Constitution, NDP, etc.
- Formed task team which consisted of specialists that had started or tried to implement the concept. These specialists came from public entities, provincial treasuries, national departments and municipalities.
- Internal scrutiny process
- Professional editing process

STRUCTURE OF THE GUIDE

- ❑ The guide has four main sections:
 - (i) Background/ purpose,
 - (ii) Contextualisation,
 - (iii) Process
 - (iv) Key role players
- ❑ Eight chapters

PURPOSE OF THE GUIDE

- ❑ The purpose of this guide is to assist the South African Public Sector institutions to develop and implement risk thresholds
- ❑ This guide recognises that there may be numerous ways of developing and implementing risk thresholds, institutions are not compelled to use it in its entirety however if properly implemented it should be a good starting point to embed risk management
- ❑ The guide is thus 'principle' based and adopts the approach of elucidating the principles and practices to the implementation risk thresholds
- ❑ Institutions are expected to continue develop or improve their risk thresholds by adopting the principles and practices to suit their institutional requirements

FUNDAMENTALS OF RISK THRESHOLDS

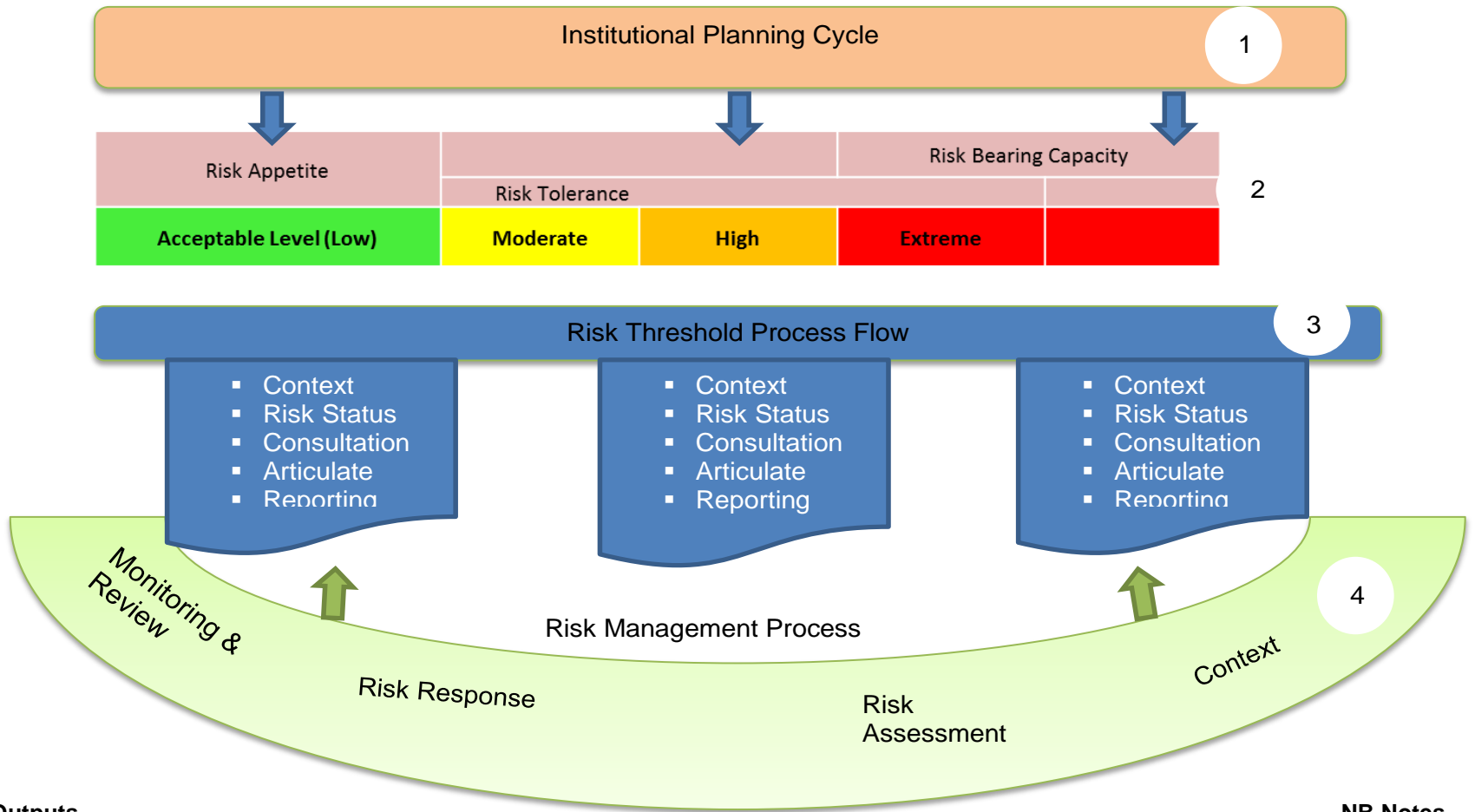
The development and implementation of risk thresholds requires the following:

- good maturity of the organisational culture and risk culture (executive manages risks)
- Maturity level should be at least at level 3 in terms of the RMCMM
- Risk management policy and strategy implemented and monitored
- Managers table risk reports/ risk registers at EXCO, RMC or AC meetings, at least once a quarter
- The institution's risk universe must be understood and contextualised
- CRO should help facilitate the process of developing and implementing risk thresholds

RISK THRESHOLDS CYCLE

Risk Appetite	Risk Tolerance		Risk Bearing Capacity	
	Acceptable Level (Low)	Moderate	High	Extreme
Mandate/ Vision				
Qualitative Expression				Closing Down
100%	(99% - 75%)	(74% - 59%)	(50% - 0%)	
Quantitative Expression				
R50m	(1% - 5%)	(6% - 80%)	(81% to +100%)	
Business As Usual	Managing with intervention	Turnaround strategy	Bailout/ Administration (Takeover)	Shut Down
Escalation Process	AO/ AA/ CEO	Minister	Cabinet	

PROCESS FLOW



Outputs

NB Notes

CONCLUSION

- ❑ Expectations from Risk Management Support:
 - Institutions that will volunteer to implement the guide – meeting readiness requirements
 - Will receive remote support – guidance
 - Period of six months to a year – progress review

THANK YOU

DEFINITIONS

- **Risk Appetite means** - the level of risk an institution is required to take and/or is willing to accept in all institutional levels in order to achieve its stated objectives.
- **Risk Tolerance means** - the undesirable level of risk variation relative to the achievement of a specific objective.
- **Risk Bearing Capacity means** - the maximum amount of risk an institution is able to handle in line with its mission /values /strategic goals, without exposing it to the point where its existence and survival is under threat.