

RISK MANAGEMENT GUIDE: OPERATIONAL LOSSES

PUBLIC ENTITIES FORUM

Office of the Accountant-General

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PURPOSE OF PRESENTATION

- ❑ Background: State of RM in the public sector vs. ideal State (RM on paper vs. performance)
- ❑ The presentation aims to communicate the following:
 - Approval process of the guide
 - The principle that is being taken towards development and implementation of operations risk management
 - Inputs if still any
- ❑ Need a few institutions that are ready to volunteer for implementation (2017\18)

METHOD USED

- Used the directives of PSRMF
- Research – available documentation
 - Guidelines from the NT and DPSA on operations management
 - Existing information (Accounting firms)
 - Desktop research and analysis
- Formed a task team which consisted of various public sector institutions (all spheres)
- Internal scrutiny process
- Professional editing process

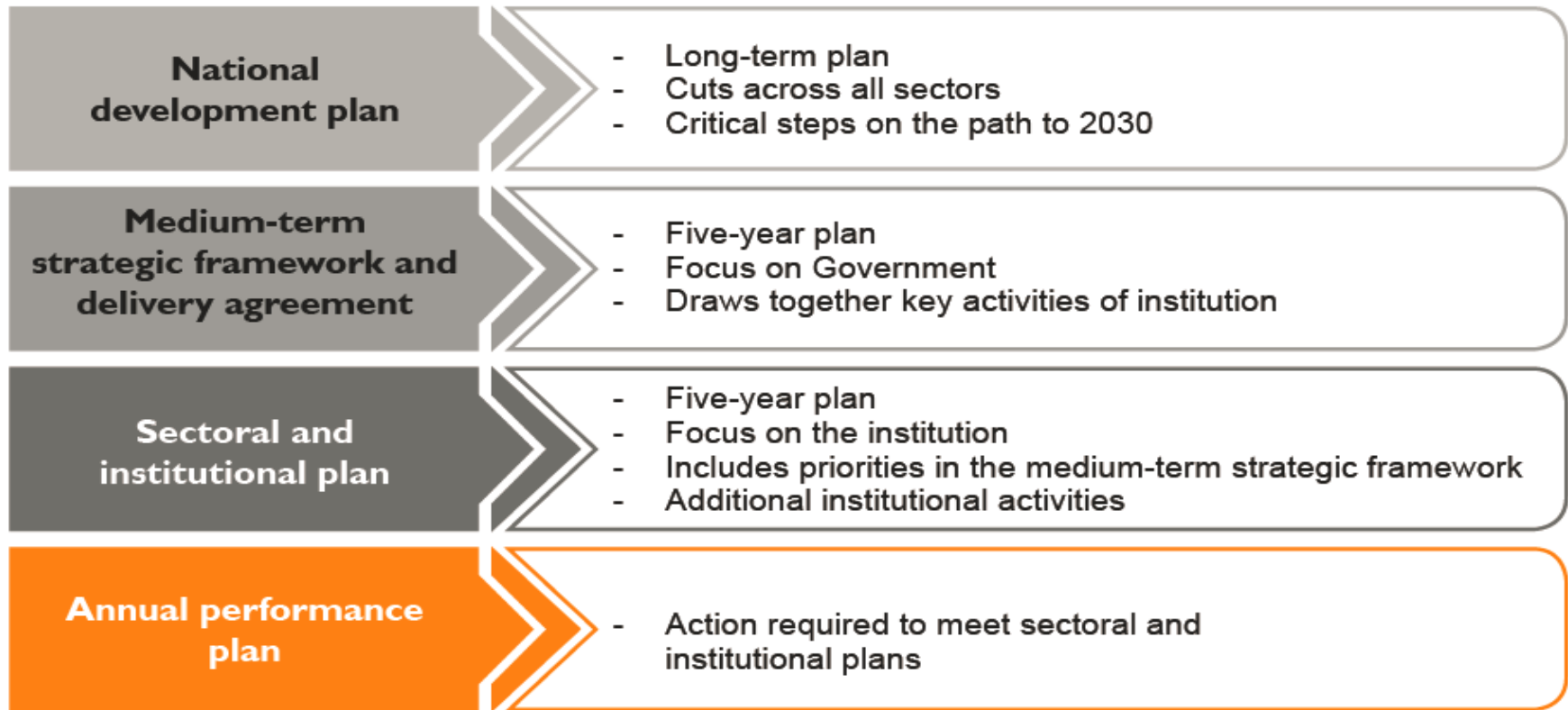
STRUCTURE OF THE GUIDE

☐ Purpose of the Guide

- Help prevent \ reduce operational losses by application of the principles within
- Can be used by all public sector institutions
- Definitions (Operational risk, loss, other definitions in other guides within the NT
- Legislation s38(1)(c)(1(ii) & (iii) and s5(1)(b)(ii) & (iii)

STRUCTURE OF THE GUIDE (1)

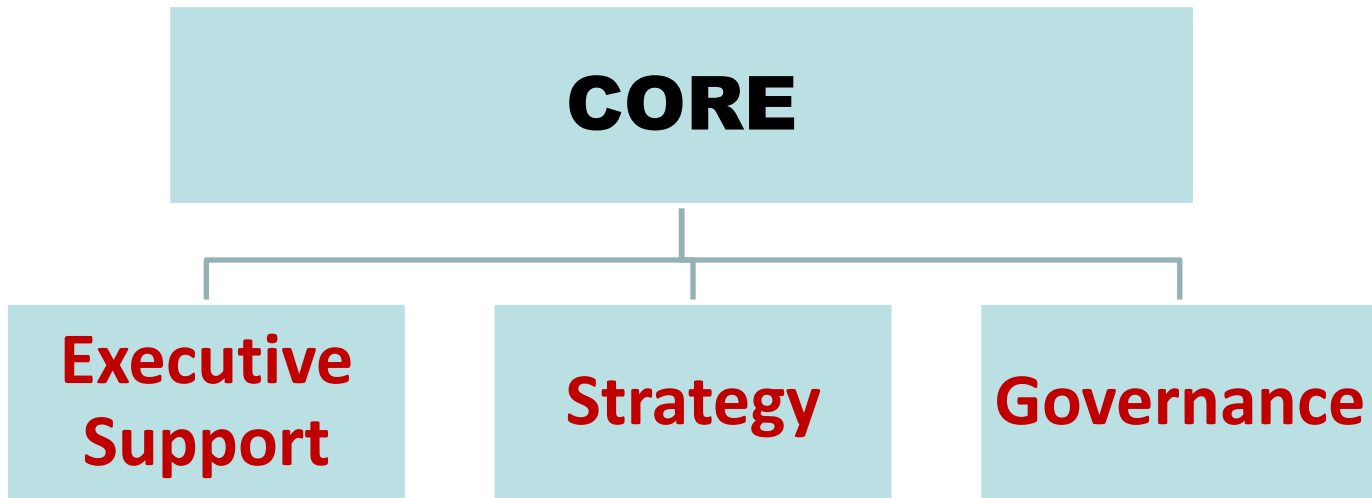
Plan is to ultimately contribute to:



STRUCTURE OF THE GUIDE

☐ Elements of Operational Management

[What we understand by each element; Risk Areas and typical risks; Role of the CRO \ RO]



STRUCTURE OF THE GUIDE

☐ Elements of Operational Management

[What we understand by each element; Risk Areas and typical risks; Role of the CRO \ RO]



STRUCTURE OF THE GUIDE

RISK AREAS	TYPICAL RISKS	CONSIDERATION
Operations	<ul style="list-style-type: none"> ▪ Duplication of effort (systems and functions) leading to fruitless and wasteful expenditure 	<ul style="list-style-type: none"> ▪ Service delivery model ▪ Standard operation procedures ▪ Mapped business processes
Financial Management	<ul style="list-style-type: none"> ▪ Over/under budgeting ▪ Misreporting of financial information ▪ Irregular expenditure ▪ Fruitless and wasteful expenditure ▪ Unauthorized expenditure 	<ul style="list-style-type: none"> ▪ Link operational plans to budget and consider activity-based costing techniques ▪ Make use of internal audit and external audit findings to identify the cause of the problem
Supply Chain Management	<ul style="list-style-type: none"> ▪ Unauthorized commitment to contracts ▪ Insufficient/lack of policies to prevent internal fraud ▪ Irregular tender processes ▪ Double-paying of invoice ▪ Payment for goods not received ▪ Contract changes not authorized ▪ Over reliance on favored suppliers 	<ul style="list-style-type: none"> ▪ Make full use of the <i>General Procurement Guidelines</i>
Information Technology	<ul style="list-style-type: none"> ▪ Unauthorized access and changes to data (cybercrime) ▪ Inappropriate manual intervention ▪ Installation of unauthorised programs, exposing the infrastructure to possible malicious software 	<ul style="list-style-type: none"> ▪ Segregate duties ▪ Log, time-stamp and complete all change and access records ▪ Take full account of the relevant legislation, such as the Protection of Personal Information Act ▪ Implement and regularly update system controls such as passwords and firewalls.
Human Resources	<ul style="list-style-type: none"> ▪ Planning ▪ Recruitment and selection ▪ Induction, training and development ▪ Performance management ▪ Administration ▪ Health, wellness and safety ▪ Employee relations and retensiton 	<p>Project Management Asset Management</p>



STRUCTURE OF THE GUIDE

❑ Losses Management

- Includes management of fruitless, wasteful, irregular and unauthorized
- Adherence to PFMA and Treasury Regulations
- When managing risks, take note of
 - ✓ Para 105: Discovery of unauthorized, irregular, fruitless and wasteful expenditure
 - ✓ Para 106: Dealing with unauthorized expenditure by departments
 - ✓ Para 107: Dealing with irregular expenditure
 - ✓ Para 108: Dealing with fruitless and wasteful expenditure
- Other (accidents)

WAY FORWARD

- A few volunteers test guide
- Must meet readiness requirements
 - Culture (relationship between CRO Executives, how RM is perceived by Executives)
 - Following structures in place (AO – accountable for the management of risks; CRO – Accountable for the system; Risk champions – link to different units; RMC – oversight; Risk owners – action risk mitigations)
 - Maintained, reviewed and approved risk register with risk owners (audited – risk based audits)
 - Quarterly reporting on risk issues to the Audit committee and AO
 - Monthly feedback between CRO and EXCO
- Institutions not meeting readiness requirements (critical institutions)
- Bag experience – six to twelve month
- Revise guide if needed, inputs (if any)



Thank you

“Naganela-pele: Think ahead”