

# **Risk Management- DIRCO Practical Progressive Approach**

Nyameko Goso  
Chief Director: Internal Audit



international relations  
& cooperation

Department:  
International Relations and Cooperation  
REPUBLIC OF SOUTH AFRICA

# DIRCO: FACE OF RSA TO THE WORLD

International map of the world, April 2000



international relations  
& cooperation

Department:  
International Relations and Cooperation  
REPUBLIC OF SOUTH AFRICA

# DIRCO (RSA): World citizen & competitor (changing environment)



international relations  
& cooperation

Department:  
International Relations and Cooperation  
REPUBLIC OF SOUTH AFRICA

# DIRCO

- Head Office- Branches:

Public Diplomacy, Africa Bilateral, Africa Multilateral, Multilateral Asia & Middle East, Americas, Europe, HR, Diplomatic Training Academy & Research, CFO's Office & ICT and State Protocol

- International transfers to international bodies
- African Renaissance Fund and related projects: assistance to other Countries
- Missions (foreign representation):
- Budget:

# DIRCO GUIDE

TREASURY REGULATION 3.1.9, provides that:

- The Audit Committee and 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 those risks.

The Committee of Sponsoring Organisations, USA (COSO) study, *Internal Control – Integrated Framework*, explains risk assessment as follows:

- “Every entity faces a variety of risks from external and internal sources that must be assessed.
- A pre-condition to risk assessment is establishment of objectives, linked at different levels and internally consistent.



# DIRCO WORKING WITH BASICS:-

## Risk Management efforts

- Before 2003/04 Financial year:

### Risk Management Challenges

- No risk management software, instead Excel was utilised by the department
- No knowledge of risk management in the Department
- No central co-ordination and facilitation of risk management
- No risk management strategy, plan and policy
- Consultants appointed by the Department produced a document that was never taken seriously, owned and never implemented (just a risk profile which managers disowned)

# **DIRCO WORKING WITH BASICS:-**

## **Risk Management efforts**

- During 2003/04 financial year:
- Top Management appointed Internal Audit Unit to facilitate risk management, and special Directorate was created within Internal Audit Unit
- Risk Management Strategy developed, workshopped and adopted by the Department
- Risk Management training workshops arranged per Business Unit targeting Management meetings of Units and other meeting structures that existed

# **DIRCO WORKING WITH BASICS:- Risk Management efforts**

- 2004/05 financial year and beyond:

Developed the following based on risk management strategy:

- Risk Management Plan:
  - o Strategic risk assessment
  - o Operational risk assessment
  - o Control Self Assessment: Strategic interventions and operational control strategies



# RISK MANAGEMENT STRATEGY ELEMENTS

## Risk Assessment Phases

### **The Department followed five-phased approach:**

- Phase 1: Understanding the organisation at a very high level
- Phase 2: Analysing and assessing each program and responsibility within the department
- Phase 3: Documenting of business processes, identification of risks and determination of controls
- Phase 4: Compilation of a Risk Profile and Control Self Assessment Schedules
- Phase 5 :Continuous evaluation and monitoring of the Risk Profile and Control Self Assessment Schedules

# Preparations for Risk Assessment: Strategic & Operational by Facilitators

- Understanding of the organisation at a very high level.
- Document the Vision, Mission, Strategic Objectives and Values of the Department.
- Analyse the strategic objectives
- Determine whether the budget is linked to the objectives
- Determine the core functions of the department
- Document Service Delivery Indicators and Measures
- Summarize the high-level budget of the department
- Analyse and summarize strategic plan
- Analyse and summarize strategic plan
- Complete the Business Understanding Document – Organisational overview

# Preparations for Risk Assessment: Strategic & Operational by Facilitators

- Prepare a financial organogram of the department & will detail the following:
  - ✓ Voted funds at departmental level
  - ✓ Budgets for each program
  - ✓ Budgets for each Branch
  - ✓ Budget of each Business Unit

# Typical Strategic Risk Assessment Session preparations

- Working Document: Focus areas
- A summarised version of the process detailing:
  - Purpose
  - Risk identification
  - Risk rating
  - Identification of existing controls and rating
  - Developing a strategic risk profile
  - Identification of Ten Top Strategic Risks

# Typical Strategic Risk Assessment session process

- A workshop with all DDGs in one room arranged (this never worked)
- Sessions arranged with DDG's (individually)
- Document inputs from each DDG
- Consolidated inputs from DDG's, and a draft Strategic Risk Profile prepared
- Draft Strategic Risks results presented to Business Unit Managers in a Workshop: Each Branch represented
- Results of the above strategic assessment workshop consolidated and voting
- Draft Strategic Profile developed
- Final Draft Strategic Risk Profile
- Approval by DMC & Top Management Structure (DMF)
- Presentation to the Audit Committee



# Typical Operational Risk Assessment session

- Arrange Risk Assessment sessions with Business Units
- Identify main operational areas based on business plans
- Prepare a working document
- Facilitate the session with Business Unit Manager & its Sections or Directorates
- Document all inputs and rating & confirm the risk results: Operational Final Risk Profile



# DIRCO Risk Management Challenges and concerns of Audit Committee

2007/08 financial year:

- Audit Committee not satisfied with monitoring or control self assessment process
- No risk management software and voting done manually
- Managers not adequately acting and monitoring on developed risk mitigation strategy
- Risk Management Committee NOT formalised
- Risk Management policy not developed
- Missions not incorporated into the risk assessment process
- A-G report that DIRCO had inadequate risk management processes

# ENHANCED DIRCO RISK MANAGEMENT EFFORTS

2008/09 & 2009/10 financial years:

- Developed a risk management policy
- Comprehensive risk assessment was conducted which included all missions (travelled and facilitated telephonically)
- Consulting Company assisted DIRCO with the Software and voting processes
- Comprehensive risk profiles developed
- Top ten strategic risks developed and submitted to Treasury
- Risk Committee formalised

# ENHANCED DIRCO RISK MANAGEMENT EFFORTS

- ❑ Developed a DIRCO: Enterprise- Wide Risk Management Approach as per Draft Risk Management Policy
- ❑ Prepare a 3 year Risk Management plan
- ❑ Review of the risk management processes by contracted Consultants
- ❑ Future Possible Actions recommended: based on-
  - The public sector has, does and WILL need to respond 'DYNAMICALLY' to many current and new challenges

# DFA: Enterprise - Wide Risk Management Approach

- Risk Management Policy
- Risk Management Strategy
- Risk Management Plan:
  - Strategic risk assessment
  - Operational risk assessment
  - Control Self Assessment: Strategic interventions and operational control strategies
  - DFA Strategic planning & Business Units Business Planning
  - Monitoring

# Risk Management Policy: summary

- Introduction & background
- Policy statement
- Purpose of the RM policy
- RM policy Scope
- Definition:
  - ✓ Risk
  - ✓ Risk Management
  - ✓ Enterprise- Wide Risk Management
- Classification of Risks
- Categories of Risks
- DIRCO Risk Management: Main Approach
- Quantification and scoring of risks
- DIRCO: RM Policy principles
- Policy objectives
- DIRCO RM Framework: Process
- RM Accountability and Responsibility
- Role of Audit Committee
- Control Self Assessment
- Reporting & communication
- Monitoring & review of the risk management process

# SOME HIGHLIGHTS OF RM POLICY

## Policy Scope:

- All Dirco officials, Missions, Partner Departments in our Missions and contractors rendering services
  - extends to all current and future activities, and new opportunities.
  - Where necessary more detailed risk management policies and procedures should be developed:
- ✓ Financial Management
  - ✓ ICT
  - ✓ Human Resources
  - ✓ Supply Chain Management
  - such policies and regulations should comply with the broad directions described in this Risk Management Policy.



# SOME HIGHLIGHTS OF RM POLICY

## Classification of risks:

- o Political risk
- o Financial risk –
- o Procurement risk
- ✓ Strategic Risk
- ✓ Programme Risk
- ✓ Project Risk
- o Operational risk
- o Occupational Health & Safety Risk
- o Reputational risk

- o Human Resource risk
- o ICT Risk
- o Contractor and Service provider risk
- o Legal Compliance risk

## Risk drivers:

Broadly risk management process

- Strategic
- Operational

# SOME HIGHLIGHTS OF RM POLICY

## Main Principles:

- In all business units (including its missions), managers will carry out risk assessments at least once each financial year
  - take appropriate management actions in a timely fashion.
  - Risk reviews will specifically address:
- ✓ political risk, service delivery risk,

- ✓ financial risk, procurement risk
- ✓ reputational risk, human resource risk,
- ✓ operational risk, occupational health & safety risk, legal compliance risk, ICT

## The following activities will be undertaken:

- comprehensive risk assessment.
- integrated contract and risk management processes.
- regular review and update of risk register/risk profile.

# SOME HIGHLIGHTS OF RM POLICY

- preparation of contingency plans for high risks.
  - identification of emerging risks and initiation of risk mitigation action
  - consider specialist advice for certain areas.
- Objectives of RM:
- structured basis for strategic, tactical and operational planning
  - enhance the governance & management processes
  - enable effective discharge of statutory and legislative: financial or operational
  - practical framework for managers to assess risks inherent in the decisions they take
  - assist and motivate decision makers, at all levels, to make good and proactive management decisions that do not expose the Department

# SOME HIGHLIGHTS OF RM POLICY

## Risk Management

### Framework:

- Annual risk identification facilitated by the Chief Directorate:-Internal Audit,
  - incorporation of risk management into Department's strategic planning, and operational and resource management planning processes
  - annual review of the risk management activities by Risk Management Committee and the Departmental Management Committee (DMC)
- Annual reporting by the Departmental Management Committee (DMC) to the Audit Committee
- risk assessments conducted and facilitated for the following:-**
- Opening of any new Missions at planning stage.
  - In developing Tender specifications for any tender from the value of R1 Million.

# SOME HIGHLIGHTS OF RM POLICY

**risk assessments conducted and facilitated for the following:-**

- Mission refurbishment projects or any Mission Capital Projects.
- Building Projects managed by the Department of Public Works.
- In acquiring the services of SITA or in developing any ICT system

☐ **The role of the Senior Management in the Risk Management process**

☐ **Audit Committee's Role**

☐ **Chief Directorate: Internal Audit Facilitating role detailed as follows-**

- **Whilst Internal Audit is involved with the facilitation of the Risk Management Process:**
  - an outside service provider or National Treasury will review the effectiveness of Risk Management every two years
  - Risk Management Review Report will be submitted to the Director-General and the Audit Committee
- ☐ **Duties of the Risk Management Committee and Risk Officers**

# CURRENT ERM PRACTICES AND POSSIBILITIES

- Full Implementation of the ERM:
  - ✓ Risk Assessment and Risk Management to be incorporated in Senior Managers Performance agreements
  - ✓ Branches, Business Units, Directorates and Missions to adopt a risk based approach in developing business plans (incorporate risk assessment and control self assessment or control strategies)
  - ✓ Internal Audit to assist in the implementation
  - ✓ Possible interaction & joint risk management efforts with partner departments: Home Affairs, DTI
  - ✓ Continue with RM efforts within the Dirco



# ERM POSSIBLE IN DFA AND IN GOVERNMENT!!!!!!!!!!

***“Impossibilities are merely things which  
we have not yet learned”***

Charles W. Chesnut: American writer

Thank you

THE END



international relations  
& cooperation

Department:  
International Relations and Cooperation  
REPUBLIC OF SOUTH AFRICA