

**TECHNICAL COMPETENCY DICTIONARY**  
**Explanatory Note**

**Enterprise Risk Management (ERM)**

**Introduction**

The National Treasury has developed a series of technical competencies dictionaries (the *Competency Framework - CFFM*) covering the major occupational groups in the field of public financial management. These dictionaries set out a series of descriptions of the skills and knowledge required of a competent practitioner in carrying out a number of standard tasks at various levels of responsibility within the overall function.

A total of 10 technical competencies dictionaries have been developed with the intention of contributing to human resource development in public financial management. This particular framework deals with *Enterprise Risk Management (ERM)*– a financial management discipline which assists departmental management to identify, assess and address the risks associated with the operation of its policies and procedures, and to balance those risks against the objectives they are seeking to achieve.

**Developing the Framework**

The Enterprise Risk Management (ERM) competency dictionary was produced following a period of research carried out on behalf of the National Treasury under the Capacity Building Model for Financial Management (CBMFM) project. This research included the following:-

- PFM related legislation,
- applicable regulations, instructions and practice notes,
- national and international standards and guidance on best practice,
- current practices applied in the workplace.

The research was supported by a series of consultative workshops with practitioners, who provided guidance on drafting the competencies, and evaluated and commented on the competency statements as they were developed. The attached technical competency dictionary represents the outcome of that developmental process. However, this dictionary and explanatory note remain living documents and will continue to be updated in the light of experience as they are used. Any comments on their contents and applicability will be welcomed, and should be submitted to the Capacity Building section of National Treasury.

**Definition and Scope**

Enterprise Risk Management (ERM) differs from most other financial management disciplines in CFFM in that it operates as a largely autonomous unit with a brief to provide independent advice to management on the department's risk environment. To maintain this autonomy, Enterprise Risk Management (ERM) units normally fall within the sphere of the department's Accounting Officer rather than reporting to the Chief Financial Officer. The technical competency dictionary, however, reflects the fact that the ownership of the activities on which Enterprise Risk Management (ERM) specialists provide advice ultimately rests with the departmental line management whom they serve, and who are responsible for addressing the risks identified.

The responsibility of risk practitioners is to provide advice, support and technical and professional expertise to assist line managers in fulfilling these responsibilities.

The main functions performed by risk practitioners cover the following areas:-

- the creation and delivery of an overall Enterprise Risk Management (ERM) vision and strategy across the department;
- inculcation in line managers an awareness of the risk environment in which they operate;
- the establishment of Enterprise Risk Management (ERM) frameworks and reporting lines with related monitoring arrangements;
- the provision of support to line managers in assisting with the identification of specific risks and providing advice on how to address them.

This dictionary however, deals only with specific Enterprise Risk Management (ERM) issues – matters pertaining to other financial procedures such as internal audit, financial accounting and budgeting are dealt with in other dictionaries, though a number of competencies in this dictionary do address aspects of engagement with some of these functions. The dictionary is based on the functioning of a typical government Enterprise Risk Management (ERM) unit and excludes Fraud Prevention and Corporate Governance.

### **Assumptions**

As with internal audit, it is important for the Enterprise Risk Management (ERM) function to be able to provide independent advice to management if it is to work effectively. However, unlike internal audit there is no established principle of independence for the function. Nevertheless, it is essential that line managers be prepared to listen to and take advice from Enterprise Risk Management (ERM) specialists, and it has been assumed throughout this dictionary that an organisational culture exists which permits risk practitioners to operate freely, and to have their opinions and advice listened to by line managers.

The dictionary has also been designed on the assumption that risk practitioners working in national and provincial departments of government are subject to broadly the same working practices and work with common IT and other operational systems. At the same time it is recognised that there can be variations in detailed practice between central and provincial administrations, and between individual provincial administrations, so the specifications have been carefully drafted at a level of generality that ensures that such variations have been accommodated.

### **The Enterprise Risk Management (ERM) Dictionary – Knowledge and Skills**

The technical competencies dictionary takes the form of a database containing two main elements:-

- the knowledge (and understanding) required to carry out efficient and effective risk management;
- the skills required to carry out efficient and effective risk management.

However, the levels of skill and knowledge required vary substantially according to the level of responsibility of the individual employee in the organisation. To address this, both skills and knowledge descriptions are provided at four different levels.

### *Skills*

All descriptions of *skills* required are offered in four tiers (*occupational roles*) which broadly correspond with the levels of administrative, technical, supervisory and managerial responsibilities. It should be noted that in the case of risk management, no competencies are specified at occupational role 1 – as it is a specialist, professional function, officers directly carrying out Enterprise Risk Management (ERM) work will fall into the three higher level occupational roles. Enterprise Risk Management (ERM) units are likely to deploy staff at the occupational role 1 level in support functions, but such staff are not normally directly involved in Enterprise Risk Management (ERM) activity and their skill requirements are primarily generic.

### *Knowledge*

The actual *knowledge* required to support any competency is the same for all four occupational roles. However, the depth of that knowledge, and the extent of underpinning understanding required varies according to the responsibilities being exercised. Therefore knowledge requirements are also specified at four levels which broadly equate with the descriptions working, technical, in-depth and expert.

It should be noted that whilst the level of knowledge and understanding specified in the framework generally escalates with occupational levels, there are instances where the level of knowledge is not the same as the occupational level i.e. a greater or lesser depth of knowledge is required than would normally be expected in that occupational role.

More comprehensive details are provided in the attached **Table 1**.

### **The Enterprise Risk Management (ERM) Dictionary – Competency Descriptions**

The knowledge and skills are listed against the principal components of the function. The function is therefore broken down into a series of *competency clusters* which are high-level segments of the function consisting of one or more sub-components. Each cluster is then broken down into these sub-components – *competency titles* – which are the level at which the definitions of the skills and knowledge are provided. Each definition is supplemented by a *competency description* which summarises the scope of the competency defined. **Table 2** (attached) contains a list of the competency clusters and competency descriptions used in this dictionary with an indication in each case of the occupational roles to which they relate.

In the dictionary, general areas of knowledge (such as primary legislation) are stated at the beginning in the *Legislative Regulatory Framework* component of the function; and other regulations and guidance appear in the *Policies and Procedures* component. Because of database limitations, however, some of this knowledge has had to be summarised, so a full statement of the knowledge required under these two competency titles is set out in attached

Because of database limitations in the dictionary, general areas of knowledge (such as primary legislation) and other regulations and guidance, some of this knowledge has had to be summarised, so a full statement of the knowledge required under these competency titles is set out in attached **Table 3**. This knowledge is applicable throughout the dictionary and is not normally repeated at the competency title level. Knowledge statements at that level relate to more detailed or supplementary knowledge required specifically for that competency, and are included in full in the technical competencies dictionary.

### **Generic Competencies**

The technical competency dictionary deals only with competencies that are specific to tasks in financial management. However, many of the tasks carried out within the function covered in this dictionary require more general competencies of a clerical, administrative or managerial nature. These *generic*, or *core*, skills are required for competence in many fields besides financial management, and have therefore been defined in a separate *core competencies dictionary*. In addition research has identified a number of *behavioural* competencies which further supplement the technical competencies in this dictionary. Bringing all three sets of competencies together will enable government financial managers to identify, understand and articulate clearly the range of skills and attributes needed by staff at all organisational levels for the competent discharge of their responsibilities.

### **Conclusion**

The Enterprise Risk Management (ERM) competency dictionary, along with its nine companion dictionaries, marks a significant step forward for government financial management. Departments may now apply its content to address issues in:-

- recruitment and selection,
- staff training and development,
- performance management,
- career planning and
- succession management.

**Table 1 – Definitions of Terms Used in the  
Enterprise Enterprise Risk Management (ERM)(ERM) Technical Competencies Dictionary**

<b>Description</b>	<b>Definition</b>
<b>Competency Cluster</b>	High level segment of the function.
<b>Competency Title</b>	A short description defining the specific competency of the sub-component.
<b>Competency Definition</b>	A brief description of the competency title.
<b>Skills Requirement</b>	Statement of the skills required within each occupational role and competency title.
<b>Specific Knowledge Requirement</b>	Specific knowledge requirements are noted that are directly related to a particular competency title

<b>Knowledge Descriptors</b>	
<b>Knowledge Level 1</b>	Requires a working knowledge with a practical understanding applied in straightforward circumstances NB Not Applicable to ERM
<b>Knowledge Level 2</b>	Requires a working knowledge with a good understanding applied in circumstances of limited complexity
<b>Knowledge Level 3</b>	Requires a thorough knowledge with an in-depth understanding applied in complex circumstances
<b>Knowledge Level 4</b>	Requires an expert knowledge with a comprehensive understanding to be applied in highly complex circumstances

<b>Role Descriptors</b>		
<b>Role Descriptors</b>	<b>Examples of Relevant Positions</b>	<b>Post Levels</b>
<b>Role 1 Administrative</b>	<ul style="list-style-type: none"> <li>• Not Applicable to ERM</li> </ul>	Post levels 1- 6
<b>Role 2 Technical</b>	<ul style="list-style-type: none"> <li>• Risk Analyst</li> <li>• Chief Risk Analyst</li> </ul>	Post levels 7 - 8
<b>Role 3 Supervisory (Tactical)</b>	<ul style="list-style-type: none"> <li>• Enterprise Risk Management (ERM) Practitioner</li> </ul>	Post levels 9 -12
<b>Role 4 Managerial (Strategic)</b>	<ul style="list-style-type: none"> <li>• Chief Risk Officer ( CRO)</li> <li>• Chief Director</li> <li>• Deputy Director General</li> </ul>	Post levels 13 -16

**Table 2 – Structure of the Enterprise Risk Management (ERM) Technical Competencies Dictionary**

Competency Cluster	Competency Title	Occupational Role 1	Occupational Role 2	Occupational Role 3	Occupational Role 4
Legislative Environment	Legislative regulatory framework	Not Applicable	√	√	√
	Departmental policies and procedures		√	√	√
Risk Strategy Management	Development of Enterprise Risk Management (ERM) strategic vision and plan		√	√	√
	Strategic management		√	√	√
Enterprise Risk Management (ERM) Support	Development and implementation of Enterprise Risk Management (ERM) framework		√	√	√
	Establishment of appropriate Enterprise Risk Management (ERM) structures and reporting lines		√	√	√
	Relationship management		√	√	√
Enterprise Risk Management (ERM) Process	Internal Environment		√	√	√
	Setting Objectives		√	√	√
	Risk identification		√	√	√
	Risk assessment		√	√	√
	Risk response strategy		√	√	√
	Control activities		√	√	√
	Information and Communication (Reporting)		√	√	√
	Monitoring and evaluation of Enterprise Risk Management (ERM) effectiveness		√	√	√
	System utilisation		√	√	
	Safeguarding of ERM information	√	√	√	

**Table 3 – General Knowledge Requirements for the Enterprise Risk Management (ERM) Technical Competencies Dictionary**

Acts of Parliament		Internal Regulations, Systems and Guidance	External Standards and Guidance	Other Relevant Knowledge
Finance Related	Others			
Constitution of the Republic of South Africa, 1996	Disaster Management Act,(Act 57 of 2002)	National Treasury Regulations	ISO Standard 31000 (Risk Management)	National Government Policy Priorities
Public Finance Management Act (PFMA), 1999	Amended Occupational Health and Safety Act (Act 85 of 1993)	Public Sector Enterprise Risk Management (ERM) Framework	King Report on Corporate Governance II and III	Corporate Governance Framework for the Public Sector – Australian Securities Exchange (ASX) Corporate Governance Council
Prevention and Combating of Corrupt Activities Act, 2004 (Act 12 of 2004)	Hazardous Substances Act ( Act 15 of 1993)	Departmental Enterprise Risk Management (ERM) Policies and Procedures	Report of the Treadway Commission – Enterprise Risk Management (ERM)Integrated Framework (COSO II)	Australian and New Zealand Risk Standards (AS/NZ 4360 (2004))
Financial Intelligence Centre Act, 2001 (Act 38 of 2001)	Promotion of Administrative Justice Act (Act 3 of 2000)	Minimum Anti- Corruption Regulations (MACC)	Principles of Internal Control and Assurance	
Remuneration of Public Office Bearers Act	Promotion of Access to Information Act, 2000 (Act 2 of 2000)	Provincial Treasury Instructions (PTI's)	Principles of ERM Frameworks and Methodologies	
Preferential Procurement Policy Framework Act (PPPFA) 2000 (Act 5 of 2000)	Electronic Communications and Transactions Act ( Act 25 of 2002)	Accounting Officer System (AOS)	ERM Tools and Techniques	
Foreign Corrupt Practices Act, 2004	Protected Disclosures Act, 2000 (Act 26 of			

Acts of Parliament		Internal Regulations, Systems and Guidance	External Standards and Guidance	Other Relevant Knowledge
Finance Related	Others			
	2000)			
Prevention of Organised Crime Act, 1998 (Act 121 of 1998)	Public Service Act,1994 as amended			
New Companies Act (2009)	Basic Conditions of Employment Act ( Act 75 of 1997)			
	Employment Equity Act, 1998 (Act 55 of 1998)			
	Labour Relations Act, 1995			
	Code of Conduct for the Public Service promulgated in 2007			