**arts, culture,
sports & recreation**

Department:
Arts, Culture, Sports and Recreation
North West Provincial Government
**REPUBLIC OF SOUTH AFRICA**

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| **POLICY TITLE:** | 2025/2026 Enterprise Risk Management (ERM) Strategy |
| **POLICY OWNER:** | Department of Arts, Culture, Sport and Recreation (ACSR) |
| **POLICY NUMBER:** | 05/2019 |
| **VERSION:** | 7 |
| **EFFECTIVE DATE:** | 1st April 2025 |
| **REVIEW DATE:** | 2025/26 Financial Year |

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## 1. PREAMBLE

The Enterprise Risk Management (ERM) Strategy outlines a Cursory Plan on how the North West Department of Arts, Culture, Sports and Recreation ("ACSR") will go about implementing its' Enterprise Risk Management (ERM) Policy. The Enterprise Risk Management (ERM) Strategy is informed by the Public Sector Risk Management (1st April 2010) and North West Provincial Risk Management (2014) Frameworks, the Departments' Enterprise Risk Management (ERM) Policy and the risk profile.

It is recognized that a Department must pursue opportunities involving some degree of risk in the achievement of its goals. This factor however emphasizes the importance of appropriate risk management.

Risk Management is a process driven by the Department's Executive Team, Management and other personnel and is applied in the strategy setting and across the Department. The process is designed to identify potential events that may affect the Department to mitigate risks to be within its appetite and to provide reasonable assurance regarding the achievement of the Department's objectives.

Section 38(1)(a)(i) of the Public Finance Management Act (PFMA), supplemented by the relevant Treasury Regulations (TR), requires an Accounting Officer (AO) of a Department to establish a risk management system. In compliance with this requirement, the Department intends to apply a consistent framework for the management of risk. This will incorporate the application of risk management strategies, processes, plans and infrastructure.

The aim of this Enterprise Risk Management (ERM) Strategy is to enable the Department to comply with legal requirements relating to risk management and to demonstrate adherence to good governance, while at the same time enhancing operations required for the achievement of the strategic objectives of the Department.

## 2. MISSION

To enable effective governance, administration and service delivery, through adherence and optimal risk management practices.

## 3. VISION

To provide risk management support service, enabling more effective governance within the Department of Arts, Culture, Sports and Recreation (*ACSR – which will be referred to in this document as "the Department"*).

## 4. STRATEGIC GOALS OF RISK MANAGEMENT FUNCTION

The goals of the Risk Management function are to develop and facilitate the implementation of effective risk management and governance through: -

- Development of Risk Management Methodologies and a Financial Governance Framework and Training Manuals;
- Training of Junior, Middle and Senior Management;
- Establishing Risk Management, inclusive of Internal Control capacity within the Department; and
- Embedding governance and risk management practices into normal management processes.

## 5. PURPOSE OF THE ENTERPRISE RISK MANAGEMENT (ERM) STRATEGY

The Department has an approved Enterprise Risk Management (ERM) Policy in place. This Policy acts as the Risk Managements reference within which the Department operates. In the Policy, the Department assumes a comprehensive approach to the management of risk which is clearly defined along with the Department's Enterprise Risk Management (ERM) Philosophy.

The Department's position to adopt a comprehensive approach to risk management means that all risks facing the Department will form part of a structured and systematic system of risk management.

This document will ensure that all risk management efforts are directed to support the achievement of the Department's objectives. Also, these efforts must equally ensure compliance with laws and regulations and realize the needs of employees and other stakeholders in terms of Corporate Governance.

## 6. RISK MANAGEMENT METHODOLOGY

The Department has adopted a Risk Management Methodology that is consistent with the **King IV Report on Corporate Governance, June 2016**, and the **Committee of Sponsoring Organizations Commission (COSO)**[1] **Risk Management June 2016 –** Aligning Risk with Strategy and Performance Framework. Both these codes are considered to be globally accepted best practice methodology guidelines on the topic of Risk Management. The process recognizes the role that risk plays in strategy selection. This can be illustrated by the following diagram:



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[1] Committee of Sponsoring Organizations of the Treadway Commission (COSO) June 2016 Enterprise Risk Management—Aligning Risk with Strategy and Performance

The five components in the updated Framework are supported by a set of principles.[4] These principles cover everything from governance to monitoring. They're manageable in size, and they describe practices that can be applied in different ways for different organizations regardless of size, type, or sector. Adhering to these principles can provide management and the board with a reasonable expectation that the organization understands and strives to manage the risks associated with its strategy and business objectives.

| Governance & Culture | Strategy & Objective-Setting | Performance | Review & Revision | Information, Communication, & Reporting |
|---|---|---|---|---|
| 1. Exercises Board Risk Oversight | 6. Analyzes Business Context | 10. Identifies Risk | 15. Assesses Substantial Change | 18. Leverages Information and Technology |
| 2. Establishes Operating Structures | 7. Defines Risk Appetite | 11. Assesses Severity of Risk | 16. Reviews Risk and Performance | 19. Communicates Risk Information |
| 3. Defines Desired Culture | 8. Evaluates Alternative Strategies | 12. Prioritizes Risks | 17. Pursues Improvement in Enterprise Risk Management | 20. Reports on Risk, Culture, and Performance |
| 4. Demonstrates Commitment to Core Values | 9. Formulates Business Objectives | 13. Implements Risk Responses | | |
| 5. Attracts, Develops, and Retains Capable Individuals | | 14. Develops Portfolio View | | |

## 7. Risk Management Reporting Lines

Section 38(1)(a)(i) of the PFMA makes it the responsibility of the **Accounting Officer (AO)** to develop and maintain an effective, efficient and transparent system of risk management.

In line with the above, the **Chief Risk Officer (CRO)** of the Department shall report directly to the Accounting Officer (AO) or a person delegated with the responsibility on his/her behalf. The Accounting Officer (AO) shall ensure that the Organizational Structure reflects this.

For the Chief Risk Officer (CRO) to have unrestricted access to the Management Team of the Department, the Chief Risk Officer (CRO) shall be a standing invitee to all **Departmental Management Committee (DMC)** meetings.

## 8. ACCOUNTABILITY, ROLES AND RESPONSIBILITIES

Below are the roles and responsibilities of various committees and officials responsible for Risk Management within the Department: -

### ACCOUNTING OFFICER (AO)

| No. | Responsibilities |
|---|---|
| 1. | Setting an appropriate tone by supporting and being seen to be supporting the Department's aspirations for effective management of risks. |
| 2. | Delegating responsibilities for Risk Management to Management and internal formations such as the Risk Management Committee (RMC), Governance Ethics |

| No. | Responsibilities |
|---|---|
| | Committee, Finance Committee/s, Information and Communication Technology Committee, Bid Committees, etc. |
| 3. | Holding Management accountable for designing, implementing, monitoring, and integrating risk management into their day-to-day activities. |
| 4. | Holding the internal structures (*committees mentioned under Point no. 2 above*) accountable for the performance of their responsibilities for Risk Management. |
| 5. | Providing leadership and guidance to enable Management and internal structures responsible for various aspects of Risk Management to properly perform their functions. |
| 6. | Ensuring that the control environment supports the effective functioning of Risk Management. |
| 7. | Approving and reviewing the Risk Management Policy (*inclusive of Risk appetite*), Strategy (*inclusive of Risk tolerance*) and Implementation Plan. |
| 8. | Approving and reviewing the Fraud Prevention and anti-Corruption Policy, Strategy and Implementation Plan. |
| 9. | Devoting personal attention to overseeing the management of the significant risks. |
| 10. | Leveraging the Audit Committee, Chief Audit Executive (CAE) and Provincial Internal Audit (PIA), External Audit (Auditor-General - A-G), Risk Management Committee (RMC) and Provincial Risk Management Unit (PRMU) for assurance on the effectiveness of Risk Management. |
| 11. | Ensuring appropriate action in respect of the recommendations of the Audit Committee, Provincial Internal Audit (PIA), External Audit (A-G), Provincial Risk Management Unit (PRMU) and the Risk Management Committee (RMC) to improve risk management; and |
| 12. | Providing assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated. |

## CHIEF RISK OFFICER (CRO)

| No. | Responsibilities |
|---|---|
| 1. | Facilitate the development, communication, co-ordination and monitoring of Risk Management within the Department. |
| 2. | Develop and maintain the Risk Management Implementation Plan. |

| No. | Responsibilities |
|-----|------------------|
| 3. | Develop and roll-out on-going risk Awareness Programmes throughout the Department. |
| 4. | Establish and maintain risk management policies and procedures and ensure compliance. |
| 5. | Maintain and regularly update the Risk Registers. |
| 6. | Develop risk-related Performance Measures and Indicators. |
| 7. | Report to Risk Management Committee (RMC) and Audit Committee on proposed changes to the risk profile. |
| 8. | Report to Risk Management Committee (RMC), Audit Committee and Provincial Risk Management Forum (PRMF) on the progress of risk management within the Department. |
| 9. | Provide technical direction and support to the Department on Risk Management. |
| 10. | Develop standardized Risk Management Reporting Templates and collate risk management information for submission at all levels. |
| 11. | Ensure facilitation of Annual Strategic Risk Assessment and prepare Annual Strategic Risk Assessment report. |
| 12. | Ensure the facilitation of specific Operational and/or Fraud/ICT Risk / Ethics Assessments on request by management, reports & registers. |
| 13. | Participate and represent the Department at Provincial Risk Management Forum (PRMF) meetings; |
| 14. | Provide support to other Directorates. |

## MANAGEMENT

| No. | Responsibilities |
|-----|------------------|
| 1. | Accountable for the total process of Risk Management in the Department which includes to:- <br><br> • ensure that management has identified key business risks (Strategic and Operational); <br> • assess the appropriateness of management responses to high priority risks; <br> • assess the adequacy of assurance efforts by Provincial Internal Audit (PIA), external audit (Auditor-General) and ensure that appropriate actions are taken to address identified areas for improvement; <br> • keep abreast of changes to risk management and control systems; and |

| No. | Responsibilities |
|-----|------------------|
|     | • ensure that the Risk Profile is updated. |
| 2.  | Establish and implement the Enterprise Risk Management (ERM) Strategy. |
| 3.  | Make decisions on Strategic Risk issues. |
| 4   | Report to the Audit Committee on the management of risks. |
| 5.  | Provide stakeholders with assurance on Risk Management. |

## RISK CHAMPIONS

**(Is an official/person who champions a particular aspect of risk management *BUT WHO IS NOT THE RISK OWNER*)**

| No. | Responsibilities |
|-----|------------------|
| 1.  | Assist in facilitating their Directorate's Risk Awareness programmes. |
| 2.  | Act as the first contact of their Directorate in risk-related issues. |
| 3.  | Ensure Risk Management is a standard item on their Agenda of monthly/quarterly Directorate meetings. |
| 4.  | Assist in the process of risk identification and evaluation. |
| 5.  | Assist in the process of risk ownership allocation. |
| 6.  | Administer Risk Management in their Directorates by:- <br><br> • Updating of their respective Risk Register on the status of Action/Treatment Plans and dates agreed to; and <br><br> • Identify emerging risks. <br><br> • Drawing reports as required by Management. |

## RISK MANAGEMENT COMMITTEE (RMC)

| No. | Responsibilities |
|-----|------------------|
| 1.  | Meet at least four (4) times a year. |
| 2.  | Review and evaluate the significant risks faced by the Department. |
| 3.  | Discuss instances where Management has accepted a higher residual risk. |
| 4.  | Address and discuss matters where management responses to issues raised are not considered appropriate. |

| No. | Responsibilities |
|---|---|
| 5. | Review and recommend to the Accounting Officer to approve the Risk Management Policy, the Strategy, Implementation Plan and the Department's risk appetite, Fraud Prevention and anti-Corruption Policy and Strategy and Implementation Plan. |
| 6. | Review the status of current risks. |
| 7. | Review and consider issues raised by Directorates, Provincial Internal Audit (PIA), external Audit (Auditor-General, the Audit Committee) [Assurance Providers] with regard to Risk Management. |

## 9. Risk Tolerance

Risk Tolerance is the amount of risk that the Department is capable of bearing *(as opposed to the amount of risk that the Department is willing to bear)*. These two **are determined by the management and are reviewed by the Risk Management Committee (RMC) to** make recommendations.

For this purpose, the Department's risk tolerance levels will be as per the table below:

**Inherent risk exposure (impact x likelihood): Residual risk exposure (inherent risk x control effectiveness)**

The following rating table will be utilized to categorize the various levels of risk.

| Risk rating | Risk magnitude | Response |
|---|---|---|
| 20 - 25 | Maximum | Unacceptable- Action must be taken immediately (0-3 months). |
| 15 - 19 | High | Unacceptable level of risk, except under unique circumstances or conditions - Major level of control intervention required to achieve an acceptable level of residual risk **(3-6 Months)**. |
| 10 - 14 | Medium | Unacceptable level of risk, except under unique circumstances or conditions - Moderate level of control intervention required to achieve an acceptable level of residual risk **(6-12 Months)**. |
| 5 – 9 | Minimum | Mostly acceptable - Keep routine control procedures in check. |
| 1 – 4 | Low | Acceptable - Keep routine control procedures in check. |

**Risk Rating Tools**

Risks are rated in terms of the **IMPACT the risk will have** on the achievement of the Department's objectives should it materialize, and the **LIKELIHOOD OR PROBABILITY** that such a risk may occur.

## IMPACT

The following rating table will be utilized to assess the potential **IMPACT** of risks:

| Rating | Assessment | Definition |
|---|---|---|
| 1 | Insignificant | There is 90-100% that the objective will certainly be achieved. **(Acceptable - No action required)** |
| 2 | Minor | There are 70-89% chances that it is likely that the objective will be achieved. **(Mostly acceptable - Low level of control intervention required, if any)** |
| 3 | Moderate | There are 50-69% chances that it is likely that the objective will be achieved. **(Moderate level of control intervention required)** |
| 4 | Major | There are 30-49% chances that it is likely that the objective will be achieved. **(Unacceptable level of risk - Major level of control intervention required)** |
| 5 | Critical | There is 1-29% that it is likely that the objective will be achieved. **(Unacceptable- Action must be taken immediately)** |

## LIKELIHOOD

The following rating table will be utilized to assess the **LIKELIHOOD** of risks:

| Rating | Assessment | Definition |
|---|---|---|
| 1 | Rare | The risk is conceivable but is only likely to occur in extreme circumstances. |
| 2 | Unlikely | The risk occurs infrequently and is unlikely to occur within the next **12** months. |

| 3 | Moderate | There is an above average chance that the risk will occur at least once in the next 12 months. |
|---|---|---|
| 4 | Likely | The risk could easily occur, and is likely to occur at least once within the next 12 months. |
| 5 | Common | The risk is already occurring, or is likely to occur more than once within the next 12 months. |

## IMPACT and LIKELIHOOD

The table below further illustrates the risk ratings in terms of the combined impact and likelihood ratings.

| LIKELIHOOD | | | Insignificant | Minor | Moderate | Major | Critical |
|---|---|---|---|---|---|---|---|
| | 5 | Frequent | 5 | 10 | 15 | 20 | 25 |
| | 4 | Likely | 4 | 8 | 12 | 16 | 20 |
| | 3 | Moderate | 3 | 6 | 9 | 12 | 15 |
| | 2 | Unlikely | 2 | 4 | 6 | 8 | 10 |
| | 1 | Rare | 1 | 2 | 3 | 4 | 5 |
| | | | Insignificant | Minor | Moderate | Major | Critical |
| | Rating | | 1 | 2 | 3 | 4 | 5 |
| | | | **IMPACT** | | | | |

## 10. RISK RESPONSE

Once risks have been analysed, appropriate risk responses (Action/Treatment Plans) must be determined/developed **to mitigate risk to an acceptable level within reasonable costs**.

Risk Responses/Treatment Plans involves identifying and evaluating a range of possible options to mitigate the risk and implementing the option chosen **with the consideration of cost versus benefits** associated with the Response/Remedial Action/Treatment. Risk responses should be documented and the responsibilities and timelines attached should be timeously communicated to the relevant persons.

**The following steps shall be taken when deciding on the implementation of a Risk Response/s: -**

- Identify and evaluate possible responses to risk;
- Evaluate options in relation to the Department's Risk Appetite, **Cost vs. Benefit** of potential risk responses and degree to which a response **will REDUCE impact and/or likelihood**; and
- Select and execute response/s based on the evaluation of the portfolio of risks and responses.

## 11. CONTROL ACTIVITIES

The control activities occur throughout the Department **at all levels, in all functions** and include application and general information technology controls.

**The control activity options and examples of activities under each option are:-**

- Directive Controls

  These controls are designed to cause or encourage a desirable event to occur (e.g. orientation of new employees on Departmental Policy and Procedure Manuals). These controls are designed to direct errors that may have occurred.

- Detective Controls

  These controls are designed to find errors or irregularities after they have occurred e.g. performance of reconciliation procedures to identify errors.

- Preventative Controls

  These controls are designed to prevent an undesired event from occurring e.g. physical security of assets to prevent theft.

- Corrective Controls

  That operates together with Detective controls. These controls are designed to detect and automatically rectify an error or an irregularity.

**The following steps shall be taken when deciding on the implementation of a Control activity: -**

- Identify and evaluate possible Control activity;
- Evaluate options in relation to the Department's Risk Appetite, Cost vs. Benefit of potential control activity, and the degree to which a response will reduce Impact and/or Likelihood; and
- Select and implement a Control activity based on evaluation of the Portfolio of risks and controls.

## 12. INFORMATION AND COMMUNICATION

**Management** shall identify, capture and communicate pertinent information in a form and time-frame that enables staff to carry out their responsibilities. Communication occurs in a broader sense, flowing down, across and up the Department.

Key reporting information shall include: -

- Critical risks facing, or potentially facing the Department;
- Risk events and issues, together with intended remedial actions;
- Effectiveness of action taken;
- Details of Action Plans taken to address any risks; and
- Status of steps taken to address risks.

The information provided shall be sufficient to allow: -

- The **Risk Management Committee (RMC)** and the **Audit Committee (AC)** to determine that the delegation of Risk Management duties has been effective; and
- **Management** to confirm that controls over key risks have been implemented/executed successfully and failures have been escalated.

## 13. MONITORING THE ACHIEVEMENT OF THE ENTERPRISE RISK MANAGEMENT (ERM) STRATEGY

➤ This element includes an assessment of whether key milestones are achieved. More importantly, it is also monitoring whether the Enterprise Risk Management (ERM) Strategy is producing the sustainable outcomes as originally envisaged.

➤ Monitoring activities are mechanisms for following, understanding and adjusting the actions to respond to risks. These are generally performed on a routine or continuous basis and are primarily designed to focus on compliance with defined risk responses and actions.

The purpose of the monitoring review is to:

- Provide assurance that risks are being managed as expected;
- Assess whether the Risk Response Plans remain relevant;
- Ensure that the Risk Profile anticipate and reflects changed circumstances and new exposures.

Risk monitoring consists of a combination of regular communication, periodic reviews or audits and evaluation by **managers** at appropriate levels.

Key aspects of monitoring will be: -

- Assessment of the quality and appropriateness of Mitigating Actions, including the extent to which identifiable risks can be transferred outside the Department; and
- Regular monitoring reports **from all Programmes** within the Department.

Risk responses should be measured in terms of **efficiency** and **effectiveness**. **EFFICIENCY** measures **the cost** of implementing Risk Management Responses in terms of **time, money and resources**, whereas **EFFECTIVENESS** measures the relative degree to which the responses **reduce the IMPACT or LIKELIHOOD** of the risk occurring.

## 14. FREQUENCY OF RISK MONITORING

Risk Assessments will be conducted at least on an annual basis. All identified risks will be monitored and reported quarterly (**June, September, December and March**) and the Risk Register will be updated with material changes identified.

## 15. REPORTING

**Managers will be responsible for reporting** on Risk Management within their Programmes/Units to the Risk Management Committee (RMC). A uniform reporting format **will be utilized** in line with the Department's Risk Register.

To demonstrate compliance with this Strategy, the following documentation will be prepared / actions are taken: -

- Annual Enterprise Risk Management Policy review;
- Annual Risk Assessment report issued;
- Documented evidence to demonstrate compliance with the Enterprise Risk Management (ERM) Strategy and **Implementation Plan needs to be maintained by all responsible officials**;
  - o Risk registers are updated quarterly; and
  - o Minutes of the Risk Management Committee (RMC).

## 16. COMBINED ASSURANCE ACTIVITIES

This element considers all assurance providers available to the Department and integrates their scope of responsibility.

## 17. PREVENTION OF FRAUD AND CORRUPTION

The Department has adopted a **ZERO Tolerance** attitude towards fraudulent and corrupt activities and this is clearly defined in the Departmental Fraud Prevention and Anti-Corruption Policy 2024/25.

## 18. STRATEGY AND IMPLEMENTATION PLAN REVIEW

The Enterprise Risk Management (ERM) Strategy shall be reviewed annually or as/when necessary to reflect the current stance on risk management.

## 19. RECOMMENDATION AND APPROVAL

**Recommended by:**

Date: 26/03/2025

Risk Management Committee Chairperson (RIMC)

**Approved by:**

Date:28/03/2025        Accounting

Officer

Department of Arts, Culture, Sports and Recreation