

PUBLIC SERVICE COMMISSION

INTEGRATED RISK MANAGEMENT IN THE PUBLIC SERVICE

A Provincial Perspective

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TERMS OF REFERENCE

INTRODUCTION

The South African Constitution, inter alia, entrusts the Public Service Commission with the task of monitoring and promoting a high standard of professional ethics in the public service. Accordingly, the Public Service Commission, as part of its Strategic Plan for 2001/02, undertook to:

- Promote awareness amongst Senior Management in particular and Supervisors in general on the utilisation of Risk Management Tools as part of their daily management activities to-
 - Improve service delivery by the effective utilisation of resources and appropriate contingency planning processes; and
 - Timeously implement cost effective corrective measures to ensure compliance with output and time requirements as set out in approved Strategic, Implementation and Work Plans;
 - Prevent fraud and corruption.
- Determine the application status of Risk Management practices in selected Provincial Administrations.
- Identify systemic “gaps” regarding the application of Risk Management and to recommend appropriate corrective action.

METHODOLOGY/APPROACH

During the phase of determining the detailed terms of reference, it was agreed that the enhancement of awareness and status diagnosis would simultaneously be conducted through cross-departmental consultative workshops in the following Provinces-

- Eastern Cape
- Northern Cape
- Western Cape
- Mpumalanga

- KwaZulu Natal
- Free State
- Limpopo Province (formerly Northern Province).

The consultative Workshops were structured to provide participants with:

- A theoretical overview on the application of Risk Management principles and practices as it relates to-
 - Integrated strategic, operational and work planning processes established by means of the Public Service Regulations (Public Service Management Framework); and
 - Compliance with the imperatives of the Public Finance Management Act, 1999, (PFMA) and general management practices.
- An opportunity to gain experience from “good practices” elsewhere in the Public Service. Following a desk analysis of developments within provinces, the structural and systematic arrangements already made by Gauteng, KwaZulu Natal and to a lesser extent the North West Province were identified as possible “best practices”. A partnership was therefore established with the Head of the KwaZulu Natal Internal Audit Service Centre who shared their implementation experience at all the workshops with other provinces;
- Relevant material on best practices utilised elsewhere in the world;
- An opportunity to conduct, by means of a small group exercise, a risk assessment and intervention strategy design exercise; and
- An opportunity to reflect on “in house” experiences and the level of institutionalisation.

A desk study of relevant legislation, literature and documents provided by the Provincial Administrations also informed the workshop approach and report content.

Heads of Provincial Departments and Senior Managers were targeted for participation in the Workshops with the view to-

- Establish awareness and “buy in” at strategic level; and
- Ensure that the utilisation of Risk Management Tools is cascaded down in Departments by means of leadership initiatives.

LIMITATIONS

Attendance of Provincial Heads of Department and Senior Managers, in the majority of instances, was unsatisfactory. This unfortunately affected the quality of

information on the levels of institutionalisation and relevant implementation barriers.

SCOPE

The report is divided into four parts, namely:

a) Executive Summary

A general status overview, identified implementation barriers and recommendations dealing with transversal matters are discussed in this part.

b) Risk Management: Conceptual Framework

The application of Risk Management within the context of public administration is assessed.

c) Risk Management: Provincial Perspective

Implementation of Risk Management in the Eastern Cape, Western Cape, Northern Cape, Free State, KwaZulu Natal, Mpumalanga, Limpopo Province (formerly Northern Province) are discussed.

d) Distribution of the report and Questionnaire on use of report.

The report will be distributed within the public service to key stakeholders. The report will also be available on the website of the OPSC and a direct e-mail link will enable the reader and user of the report to electronically comment on the report.

A questionnaire has been included at the back of the report. The purpose of the questionnaire is to get an impression of the practical value the report has for public servants. It provides valuable feedback to the Office of the Public Service Commission on the contents; structure and possible impact the report might have for the users of the report.

An honest opinion of the reader and user of this report will greatly contribute to improving the service, which the Office of the Public Service Commission renders to stakeholders and the public service in general. It is included as a page to be torn out easily, perforated and glued and addressed to the OPSC with the postage already paid.

PART A

EXECUTIVE SUMMARY

1. Introduction

The purpose of this report is to:

- Report on an initiative launched by the Public Service Commission to increase awareness levels on Integrated Risk Management in selected Provincial Administrations;
- Highlight the implementation barriers affecting the integration of Risk Management practices in the strategic planning processes and the day-to-day operational management of Departments in selected Provinces; and
- Make recommendations to overcome the identified implementation barriers.

Consultative one-day Workshops were conducted in the Eastern Cape, Northern Cape, Western Cape, Mpumalanga, KwaZulu Natal, Free State and the Limpopo Province (formerly Northern Province), targeting Heads of Department and Senior Managers to, inter alia, promote awareness on Risk Management and elucidate information for this report.

2. Consultative Workshops

A total number of 224 Senior and Middle Management officials attended the seven workshops. Unfortunately, only three Provincial Directors-General and nine Heads of Department attended the workshops.

Provincial officials presented attendees of the workshops with an overview of the progress made with the implementation of Risk Management strategies in the various provinces.

Participants were provided with:

- A short theoretical framework on Risk Management practices based on the integrated framework developed and adopted by the PSC;
- An overview of the KwaZulu Natal implementation experience;
- An opportunity to reflect on own experiences vis-a-vis the KwaZulu Natal experience;
- An opportunity to discuss the relevant provincial barriers; and
- Relevant reading material.

Eighty seven percent of the participants indicated that they found the workshop “very useful” whilst 13% of the participants indicated that they found the workshop “useful”.

Seventy-six percent of the participants indicated that the Workshop provided them largely” with a better understanding of Risk Management practices; while the remainder of the participants indicated that their understanding had improved “partially”.

A substantial number of participants indicated that the awareness initiative was long overdue. There was consensus that awareness programmes on the implementation of national initiatives need to be presented well in advance of deadlines being set for implementation. If this is not the case, implementation is limited to compliance and institutionalisation is normally neglected.

3. Findings

The following implementation barriers were identified:

- Treasury Regulations and private sector “good practices” provide an inadequate framework for the operationalisation of Risk Management practices within a public service environment. A more comprehensive framework is required to support implementation within the broader public management and strategic planning spheres.
- The high volume of transformation arrangements requiring implementation, the capacity constraints, time frames and service delivery imperatives are currently forcing Public Service Managers in the Provinces to follow “fire fighting” or compliance working strategies. This has a negative effect on the institutionalisation of the critical building blocks required by the new Public Service Management Framework.
- An assessment of the 2001/02 Strategic Plans of Provincial Departments revealed limited integration between strategic planning processes and strategic risk assessment exercises. Risk Management is, in the majority of instances, currently applied as a financial matter to comply with treasury regulations.
- Departments were required to develop fraud prevention plans by 30 June 2001. These fraud prevention plans should be based on a risk assessment exercise and should be part of a Risk Management strategy. The extent to which fraud prevention plans were based on risk assessments conducted in departments is questionable in most departments.
- The utilisation of consultants to implement and drive financial Risk Management processes was prevalent in the majority of selected Provinces. The cascading of the content of these reports is questionable at the operational and supervisory levels. The rationale for internal control measures is not communicated down to supervisory levels within the framework of Risk Identification and Management processes.
- Provinces are utilising various organisational models to institutionalise Risk Management processes. Interaction between provinces is limited; reflections on the KwaZulu Natal experience clearly highlighted a possible “costly duplication” of implementation mistakes within other provinces. At all the workshops, a strong plea was made for an integrated implementation framework to ensure a standardised approach.

- Five Provincial Administrations have not repealed their Exchequer Acts. As some of these arrangements are in conflict with the Public Finance Management Act, 1999 (PFMA), uncertainty exists amongst Managers regarding various compliance issues and the role of the relevant Provincial Treasuries.
- The Performance Agreements of the majority of Senior Managers are silent on integrated Risk Management processes. Article 36 (5) of the PFMA, states that the general provisions regarding risk management, as contained in section 38-42 of the said act, are regarded as forming part of the employment contract of only the Accounting Officers.
- All provinces indicated a lack of capacity and resources to effectively ensure “roll out” of the learning experience to supervisory levels. Effective implementation of measures supporting the new management framework is hampered by the inability of institutions to provide persons at the operational post levels (nine to twelve) with the required background information, knowledge, skills and work tools. The utilisation of traditional skills development practices (lecturing and workshops) is questionable. Participants called for an approach where implementation of policy arrangements is supported by a workbook approach to be followed in the work environment.
- Awareness levels of Risk Management as a management tool are in general low at all institutional levels. Knowledge of Risk Management is limited to senior management levels and is linked to roles set out in the PFMA for accounting officers and internal control units.

4. Recommendations

The following recommendations are made:

- A national framework, guiding the implementation of integrated Risk Management processes needs to be developed by all stakeholders collectively. A consultative forum to address the framework, risk assessment format and training interventions is proposed for 2002 and the OPSC could play a facilitative role in this regard. This can be done as part of the implementation of the National Anti-Corruption Strategy for the Public Service as endorsed by cabinet. It includes the development of guidelines for assessing risk and risk management by the OPSC.
- Effective monitoring and evaluation systems need to be developed to determine the institutionalisation of new management practices in general and Risk Management in particular to all the supervisory levels of public institutions.
- Existing transversal management training programmes need to be adjusted to ensure that the benefits of integrated Risk Management processes are realised and adopted at all institutional levels in the Public Service.
- The possibility of including Risk Management as part of the performance agreements of all senior managers should be investigated.

PART B

CONCEPTUAL CONTEXT

1. LEGISLATIVE FRAMEWORK

Section 195 of the Constitution of the Republic of South Africa, 1996, provided normative principles for public administration. Flowing from these principles, the Public Service Regulations promulgated in terms of the Public Service Act makes, inter alia, provision for the implementation of a management framework for the Public Service, anchored on the principles of effective planning and accountability. In order to comply with the defined planning requirements, Public Service Institutions are in need of customised tools. For this purpose, Risk Management can be regarded as one of a range of tools to support planning processes for service delivery.

On the other hand, the PFMA sets the framework for accountable financial budgeting and financial administrative activities in Departments. In this regard, Risk Management is an important mechanism to support financial planning and accounting activities within departments.

The roles and responsibilities for the implementation of a Risk Management strategy is contained in the regulations published in terms of the PFMA. The Treasury Regulations published in March 2001 amended the regulations issued in March 2000. Chapter three of the regulations is attached as an addendum to this report but can be summarized as follows:

- The responsibility for facilitating a risk assessment is vested with the Accounting Officer with the view to determine the material risk to which the institution may be exposed and to evaluate the strategy to managing that risk.
- The accounting officer must provide a certificate to the relevant treasury by no later than 30 June each year indicating that a risk assessment has been completed and that a fraud prevention plan is operational.
- The internal audit unit must prepare, in consultation with and for approval by, the audit committee a rolling three year strategic internal audit plan based on its assessment of risk for the institution, having regard to its current operations, the proposed strategic plan and its risk management plan.

2. DEFINITIONS

Risk refers to either uncertainty within the operational environment or the possibility that a specific event or events may derail a plan or service delivery outputs negatively.

Risk Management refers to a continuous process to:

- Identify risk elements;
- Determine the impact should a specific risk manifest itself;
- Prioritise risk elements;
- Design and implement appropriate (prioritised and cost effective) contingency responses to remedy the risk causes; and
- Monitor and evaluate the effectiveness of remedial activities.

Integrated Risk Management refers to an acknowledgement that risks are not only financial or fraud related but includes the ability of a series of planned activities to accomplish relevant political and social objectives.

3. RISK CATEGORIES

Risks that may occur in the area of operation of a Public Service Institution include, *inter alia*, the following:

- Social
- Economic
- Environmental (nature)
- System
- Resources (Human and material)
- Financial
- Fraud
- Loss of assets and theft
- Litigation
- Nepotism

4. RISK FACTORS

Internal and external conditions or an occurrence pattern thereof, specific to an institution, is responsible for the development of risks. In this regard, the nature of the work performed by a specific component is a factor that may contribute to an environment conducive to fraud. The work in itself is not a risk.

5. RISK MANAGEMENT WITHIN THE CONTEXT OF THE PUBLIC SERVICE REGULATIONS

Given the strategic and operational planning frameworks prescribed by the Regulations for Public Service Institutions, risk identification and management processes within this context are informed by an analysis of the full spectrum of risk categories. In this regard, it is required from all public service managers to utilise risk management processes on a daily basis to ensure that stated objectives are achieved in terms of periods, quantity and quality (service standards).

Risk management within this framework is normally informed by three critical questions:

- What is the objective?
- What can go wrong or can threaten the accomplishment of the objective.
- What can be done within set limitations to manage or minimise the results of the risk?

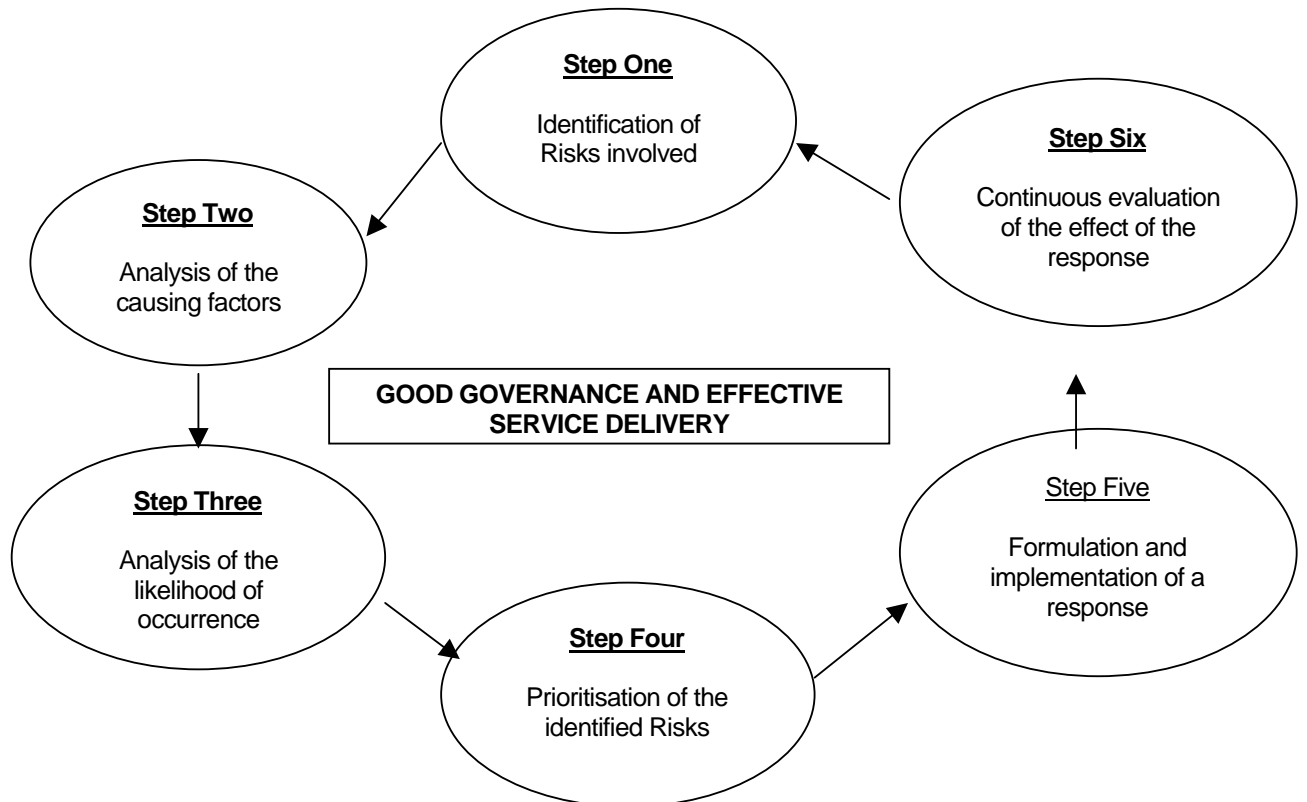
6. RISK MANAGEMENT WITHIN THE CONTEXT OF THE PUBLIC FINANCE MANAGEMENT ACT (PMFA) AND THE TREASURY REGULATIONS.

Legislative imperatives on Risk Management are contained in sections 38 to 42 of the PMFA and Chapter 3 of the Treasury Regulations for Public Service Institutions. These imperatives deal specifically with the financial and fraud risk categories. Risk Management processes, responsibilities and even punitive measures for non-compliance, are incorporated in the responsibilities allocated to Accounting Officers and Audit Committees with an extension thereof to all Managers in terms of the provisions of Section 45 of the PFMA.

The extension of the general responsibilities, in terms of Section 45 of the PFMA, to all managers is a cornerstone in the institutionalisation of Risk Management in the public service. It establishes accountability for Risk Management with all levels of management, and does not limit it to the accounting officer or internal audit units.

7. BEST PRACTICES APPROACH TOWARDS RISK MANAGEMENT IN THE PUBLIC SERVICE

Drawn from international best practice, a six-step approach towards Risk Management is advocated for the South African Public Service as follows:



PART B

PROVINCIAL PERSPECTIVE

8. INTRODUCTION

The following objectives were set and agreed upon by participants of the Provincial Workshops:

- Promote Risk Management as a day-to-day management tool to, inter alia, ensure effective financial management, optimal resource utilisation, prevention of corruption and enhanced service delivery;
- Assist senior managers to establish a clear understanding of the roles, responsibilities and relationships in the application of Risk Management mechanisms in the Public Service.
- Afford senior managers exposure to the application of Risk Management mechanisms in other institutions.
- Stimulate debate and practical implementation initiatives within provincial departments to facilitate processes for the downward cascading of Risk Management principles/tools to all institutional layers.
- Provide the Public Service Commission with a platform to gain practical experience and exposure regarding the status of Risk Management in the Provincial Administrations and relevant implementation barriers.

Consistency in the workshop approach and methodology was attained by the utilisation of a standardised Agenda (Appendix A). Participants at all the workshops were provided with an experience of the work already done in KwaZulu Natal to establish Risk Management as a management practice in departments.

9. PROVINCIAL COMPLIANCE OVERVIEW IN TERMS OF THE PFMA

The Directorate: PFMA Implementation at the National Treasury conducted a survey early in March 2001. The survey focused on eight areas. The data provided is dated April 2001. National Treasury intends to update the data with a follow-up survey planned for early 2002. Two focus areas are included in the format to monitor compliance with Treasury Regulation 3.2.2. The areas focus on the undertaking of risk assessments and the development of fraud prevention plan. The provincial data is attached as Appendix B.

The information provided by National Treasury indicates the following levels of compliance. The number of departments complying is expressed as a percentage of the total number of departments in the province.

Rate of compliance by provincial departments as at April 2001			
100% compliance	80-90% compliance	50-80% compliance	20-50% compliance
Gauteng, KwaZulu Natal, Mpumalanga North West, Western Cape, Limpopo (formerly Northern) Province.	None	Eastern Cape (58%)	Northern Cape (27%), Free State (36%)

Updated information is provided per province in the sections below. The problem of comparing different sets of data is evident. The updated data differs in some provinces with the data provided by the National Treasury. This also underlines the need for a universal risk-analysis and data format to be used in the public service.

10. EASTERN CAPE PROVINCIAL ADMINISTRATION

10.1. ATTENDANCE

The consultative workshop was held on 20 February 2001 in East London. All Heads of Department were formally invited to attend the Workshop with their senior managers.

Thirty-seven officials representing nine Provincial Departments attended the Workshop (including the Provincial Director-General and two Heads of Department). The Departments of Social Welfare, Education and Sport, Arts, Culture and Technology were not represented at the Workshop.

The Provincial Commissioner for the Eastern Cape with technical support from two senior officials attached to the Office of the Public Service Commission and a Consultant attached to the Office of German Technical Cooperation (GTZ) hosted the Workshop. The regional Office of the Public Service Commission provided conference support.

10.2. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC SERVICE MANAGEMENT FRAMEWORK

The following were identified:

Acceptance of a Risk Management culture and formal commitment to its processes exist at the highest institutional levels.

- Awareness levels regarding the application of Risk Management as a day-to-day management tool are relatively low at all institutional levels.

- The implementation of national initiatives without proper consideration for Provincial realities (landscape, resources, capacity, etc.) poses a serious risk for service delivery in the Administration.
- The application of transversal systems and capacity of provincial role-players, to generate appropriate management reports required for the risk identification and prioritisation processes, are lacking.
- Extensive work has been done in the Province to identify risk trends. These trends are documented in various reports (Provincial Review Report, the Presidential Review Report, the 1998 Master Plan, Audit Reports and Legislature Reports).
- Internal capacity to ensure the effective “roll out” of the learning experience to Regional Managers and supervisory staff is limited.
- Participants highlighted the need for an integrated framework on Risk Management to assist implementation. Without “in house” expertise, it is problematic to manage consultants tasked with implementing processes.

10.3. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC FINANCE MANAGEMENT ACT.

The Province reported that-

- The Executive Council has approved the establishment of an Internal Audit Component attached to the Office of the Premier, functioning on a “shared service” basis.
- The Internal Audit Component will in future be responsible to “drive” financial and fraud risk management processes on behalf of the client departments.
- As an interim arrangement, tender specifications to outsource a risk assessment exercise in all provincial departments have been finalised. The results of this exercise will be utilised for the development of a Provincial Risk Management Strategy and a Provincial Fraud Prevention Plan.

The following were identified:

- Responses by participants clearly demonstrated problems with the conceptualisation of the envisaged “Shared Service Centre” for the Internal Audit function. Past experiences, a decision not to repeal the Provincial Exchequer Act and the Shared Service Centre are seen as mechanisms to strengthen the power base of the Provincial Treasury in the day-to-day running of departments.
- Participants highlighted the implementation of the electronic fleet management system as a milestone to minimise the risk of losses and fraud in the Administration. Administrative role players need to realise that the implementation of a new system is of itself is no guarantee that all risks would be eliminated.

- An extensive need exists to cascade the principles and management tools offered by risk management down to the lower supervisory levels in all departments. Internal resources should address this.
- Follow-up inquiries were made with the Provincial Treasury to obtain more updated information on risk management implementation. ¹The Provincial Treasury designed a spreadsheet measuring and monitoring compliance to the PFMA on a monthly basis. The data is gathered for ten focus areas, one of them being Fraud Prevention Implementation Plans. The level to which the following questions are addressed is measured and captured on the spreadsheet:
 1. Has the fraud prevention plan been completed and communicated?
 2. To what extent has the fraud prevention plan been implemented?
 3. Has the fraud prevention plan been certified by Treasury?

The level of compliance of each department is also expressed in relation to the average of the province and in relation to the stated aim of the Treasury.

From the data provided it appears that in terms of fraud prevention, the average performance rating of departments varies from 40% to 70%. These percentages are, however, not indicative of the remainder of the work to be addressed. Appendix C is a graph, detailing the average performance against the provincial performance.

11. NORTHERN CAPE PROVINCIAL ADMINISTRATION

11.1. ATTENDANCE

The consultative workshop was held on 28 March 2001 in Kimberly. All Heads of Department were formally invited to attend the Workshop together with their senior managers.

Thirty-one officials representing all the Provincial Departments attended the workshop (only one Head of Department attended). Representation of departments was in the majority of instances at middle management level.

The Provincial Commissioner for the Northern Cape with technical support from two senior officials attached to the Office of the Public Service Commission and a Consultant attached to the Office of German Technical Cooperation (GTZ) hosted the Workshop. The regional Office of the Public Service Commission provided conference support.

¹ Departments need to submit a Certificate in terms of Treasury Regulation 3.2.2 confirming that a Fraud Prevention Plan based on a Financial Risk Assessment exercise is operational.

11.2. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC SERVICE MANAGEMENT FRAMEWORK

The following were identified:

- Awareness levels regarding the application of Risk Management as a day-to-day management tool are relatively low at the middle management levels. Due to the absence of more senior managers, it was not possible to determine awareness levels for this group.
- Participants highlighted problems related to work ethics and nepotism as important obstacles in the way of effective administration. Responses clearly indicated that the Code of Conduct has not been successfully institutionalised.
- Extensive work has been done in the Province with the assistance of donor organisations to identify transversal Risk Areas in departments.
- Internal capacity to ensure the effective “roll out” of the learning experience to all supervisory staff is limited.
- Participants highlighted perceived instances of nepotism in appointment processes as service delivery barriers in the Administration.

11.3. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC FINANCE MANAGEMENT ACT

The Province reported that:

- The Executive Council has approved the establishment of an Internal Audit Component attached to the Office of the Premier, servicing all provincial departments.
- The Internal Audit Component will in future be responsible to “drive” financial and fraud risk management processes on behalf of client departments.
- Donor organisations assisted the Administration to conduct a financial and resources risk assessment exercise in all provincial departments. Relevant role players have been tasked to develop and implement counter strategies for the identified risk areas.

The following were identified:

- Responses by the group (majority at middle management level) clearly identify the need for an inclusive process in the development of a Risk Strategy or Fraud Prevention Plan. Without a clear understanding of the rationale for specific control measures, officials view such arrangements as merely obstructive.

- Information technology is not adequately utilised by departments as an early warning system due to capacity problems.
- There is limited knowledge regarding the obligation of departments to develop a Fraud Prevention Plan and the statutory requirement of an appropriate certificate to be issued to the Provincial Treasury.
- An extensive need exists to cascade the principles and management tools offered by risk management down to the lower supervisory levels in all departments. Internal resources should address this.
- Follow-up inquiries were made with the Provincial Treasury to obtain more updated information on risk management implementation. No official/formal response could be obtained on the status of the fraud prevention certificates submitted to the Provincial Treasury.

12. WESTERN CAPE PROVINCIAL ADMINISTRATION

12.1. ATTENDANCE

The consultative workshop was held on 11 April 2001 in Cape Town. All Heads of Department were formally invited to attend the workshop with their senior managers.

Twenty-nine officials representing all Provincial Departments attended the workshop (only one Head of Department attended).

Due to other commitments, it was not possible for the Provincial Commissioner to attend the workshop. The Chief Director: Professional Ethics and Risk Management in the Office of the Public Service Commission with technical support from one senior official, attached to the Office of the Public Service Commission and a consultant attached to the Office of German Technical Cooperation (GTZ), hosted the workshop. The regional Office of the Public Service Commission provided conference support.

12.2. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC SERVICE MANAGEMENT FRAMEWORK

The following were identified:

- Acceptance of a Risk Management culture and formal commitment to the relevant processes clearly exists in some departments.
- Awareness levels regarding the application of Risk Management as a day-to-day management tool are relatively low at the middle management levels of all Departments.
- A trend is emerging whereby national control mechanisms of the past (Treasury Instructions) are re-written as provincial policy under the PFMA.

- Risk Management processes requires adequate institutionalisation of basic good governance principles. The level of institutionalisation of the Code of Conduct at all levels of the Administration is questionable.
- Participants expressed a sense that internal control arrangements are over-emphasised resulting in questionable input costs.
- Extensive capacity building programmes are required for the inculcation of accountability to ensure the effective “roll out” of the learning experience to Regional Managers and supervisory staff is limited.
- After having been presented with the KwaZulu Natal experience, participants highlighted a need for an integrated framework on Risk Management to establish minimum levels of synergy in approach.

12.3. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC FINANCE MANAGEMENT ACT

The Province reported that-

- A provincial Risk Management Model was adopted, centralising the responsibility for the relevant processes within the Internal Audit Component.
- A provincial Internal Audit Component with a post establishment of 12 has been established in the Office of the Director-General, serving all provincial departments.
- Internal Audit Committees are fully functional in all departments.
- Risk analysis exercises with the assistance of consultants have been completed in all provincial departments. Fraud Prevention Plans are at an advanced state of finalisation. All Departments will therefore be in a position to submit the prescribed certificate on fraud prevention.
- The Internal Audit Component developed a computerized risk identification and prioritization format.

The following were identified:

- Responses by participants clearly demonstrated resistance to a possible centralised approach towards risk management practices.
- An extensive need exists to cascade the principles and management tools offered by risk management down to the lower supervisory levels in all departments. Internal resources are inadequate to address this need.
- Follow-up inquiries with the Provincial Treasury indicated that all the Departments submitted a Certificate in terms of Treasury Regulation 3.2.2 confirming that a Fraud Prevention Plan based on a Financial Risk Assessment exercise is operational.

- The Shared Internal Audit Component is in the process of developing a transversal control risk model for the province.

13. MPUMALANGA PROVINCIAL ADMINISTRATION

13.1. ATTENDANCE

The consultative workshop was held on 5 April 2001 in Nelspruit. All Heads of Department were formally invited to attend the workshop with their senior managers.

Thirty-one officials representing the Provincial Departments attended the workshop (including the Provincial Director General). The Departments of Social Welfare and Works were not represented at the workshop.

The Provincial Commissioner for Mpumalanga with technical support from two senior officials attached to the Office of the Public Service Commission and a consultant attached to the Office of German Technical Cooperation (GTZ) hosted the workshop. The regional Office of the Public Service Commission provided conference support.

13.2. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC SERVICE MANAGEMENT FRAMEWORK

The following were identified:

- Acceptance of a risk management culture and formal commitment to the relevant processes exist at the level of the newly appointed Director-General, who indicated that a zero tolerance approach need to be followed in the province given its management status under Section 100 of the Constitution, 1996.
- Awareness levels regarding the application of risk management as a day-to-day management tool are relatively low at all institutional levels.
- The application of user friendly transversal information systems and capacity of provincial role-players to generate appropriate management reports required for risk identification and prioritisation processes are lacking.
- Internal capacity to ensure the effective “roll out” of the learning experience to supervisory staff is limited.

13.3. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC FINANCE MANAGEMENT ACT

The Province reported that:

- An Internal Audit Component, attached to the Department of Finance and Economic Affairs, has already been servicing all Departments for a number of years. The resource allocation for this component is inadequate.

- A Risk Assessment exercise was successfully completed with the assistance of GTZ in all provincial Departments during the 2000/01 financial year.

The following were identified:

- The practical application of the departmental Risk Profiles, developed as part of the 2000/01 exercise, seems inadequate given the general status of finances in the Province.
- Limited awareness exists at the middle management levels regarding the utilisation of risk management as a day-to-day management tool.
- Participants highlighted systems security (user password administration) as a major transversal risk in all provincial departments.
- An extensive need exists to cascade the principles and management tools offered by risk management to the lower supervisory levels in all departments. Internal resources should address this.
- Follow-up inquiries were made with the provincial Treasury to obtain more updated information on risk management implementation. No official response could be obtained on the status of the fraud prevention certificates submitted to the Provincial Treasury.

14. KWAZULU NATAL PROVINCIAL ADMINISTRATION

14.1. ATTENDANCE

The consultative workshop was held on 18 April 2001 in Durban. All Heads of Department were formally invited to attend the workshop with their senior managers.

Thirty-seven officials representing nine Provincial Departments attended the workshop (including two Heads of Department). The Departments of Social Welfare, Education and Sport, Arts, Culture and Technology were not represented at the Workshop.

The Provincial Commissioner for KwaZulu Natal with technical support from two senior officials attached to the Office of the Public Service Commission and a consultant attached to the Office of German Technical Cooperation (GTZ) hosted the workshop. The regional Office of the Public Service Commission provided conference support.

14.2. STRUCTURAL ARRANGEMENTS

Following a decision of the Provincial Executive Council, an independent Internal Audit Component headed by a person at the level of Deputy Director-General

was established for the Province in the beginning of 2000. The following guiding principles were accepted for the establishment of the unit:

- The need to function as a statutory body in the form of a shared service centre.
- Involvement of consultants needs to be minimised by means of appropriate capacity building programmes.
- Investigations and technical assistance can only take place on invitation by Heads of Department and based on a clearly defined terms of reference.
- Functions performed by the unit must contribute towards facilitating integrated processes with a balanced approach towards general management/strategic planning, risk management and financial risk management processes.

The Internal Audit function of the Province was promulgated at the beginning of 2001 by means of the Provincial Internal Audit Act. The organisational structure of the Internal Audit Unit makes provision for two separate functions-

- **Internal Audit Function.** The functions performed by this component focus on preventative action with historical or compliance audit receives secondary attention. Departmental Internal Audit Plans based on relevant risk and mitigation plans form the main drivers here. These Audit Plans need to be approved by the relevant Accounting Officers and overseen by Departmental Audit Committees.
- Suspected fraud is passed on to a forensic accountant in the Risk Management Unit.
- This component has nine posts on its establishment.
- **Risk Management Unit.** The establishment of the Risk Management Unit makes provision for-
 - A component responsible for assisting Departments with their risk assessment exercises and the development of appropriate impact mitigation plans. High level analysts, attached to this component, are responsible for analysing risk trends and to issue appropriate practice notes to departments to assist with the implementation of relevant internal control measures; and
 - A component responsible for Fraud Detection and Recovery. This component includes a forensic accountant and corporate accountants.
 - Fourteen posts are dedicated to this component.

14.3. KEY PRINCIPLES SUPPORTING RISK MANAGEMENT PROCESSES

The following key principles have been adopted by the Internal Audit Component for the operationalisation of risk management practices:

- Every person in the Administration has responsibilities for which he/she is accountable.
- Everyone has capacity (skill, training, knowledge and access to information) and resources to perform their allocated management activities.
- Integration with strategic planning processes supported by effective monitoring and evaluation activities needs to become part of institutional arrangements.
- Open participation and communication across all levels of staff.
- RISK is defined as follows:
 - R= Results (achieving the desired results for the risks taken)
 - I= Immunization (are controls in place to manage the risks taken?)
 - S= Systems (are the basic systems in place to measure and manage the risks taken?).
 - K= Knowledge (is the knowledge base adequate to inform processes? If not, what minimum capacity building exercises are required?)

14.4. KEY IMPLEMENTATION DRIVERS

The following implementation drivers are highlighted by the KwaZulu Natal experience:

- Implementation is dependent on support at the highest institutional levels.
- Adequate resources allocation (human and material) for the Internal Audit Component is a critical requirement for success.
- Issuing of prescriptive instructions is a “no-go area”; implementation needs to be affected by consultative workshops to create understanding.
- Technical support for departments from a central point is essential to establish a coordinated approach towards transversal risks and to establish adequate synergy with internal control mechanisms.
- Monitoring arrangements need to be well defined to prevent fruitless expenditure on redundant control arrangements and to act proactively to counter new risks.

- Clear role definition and relationship protocols need to be established for the Head of Department, Management Committees, Chief Financial Officers, Audit Committees, Line Managers, Staff and the Internal Audit Unit.
- The risk management process is an integrated part of the strategic planning process.

14.5. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC SERVICE MANAGEMENT FRAMEWORK

The following were identified:

- Acceptance of a risk management culture and formal commitment to the processes exist at the highest institutional levels.
- Awareness levels regarding the application of risk management as a day-to day management tool are relatively high at the senior management levels, whilst they are low for the supervisory levels.
- The application of transversal systems and capacity of provincial role-players to generate appropriate management reports required for risk identification and prioritisation processes are lacking.
- Extensive work has been done in the Province to identify risk profiles for all Departments. Prioritised Risk Management Strategies, informing the internal control processes and audit trails, have been developed for all Departments. The PFMA was used as basis for the development of a computerised risk identification and tracking system using Excell software as the platform. Focus areas and the associated risk for each area were identified. It thus provides for a uniform and standard assessment of risk within the province. The format is used to allocate responsibility and monitor progress.
- Internal capacity to ensure the effective “roll out” of the learning experience to supervisory staff is limited.

14.6. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC FINANCE MANAGEMENT ACT

The following were identified:

- The institutional arrangements put in place by the province succeeded in establishing synergy between risk management processes as they relate to strategic planning processes and risk management of the financial consequences resulting from implementation activities.
- Responses by participants clearly indicate a perception that risk management processes are financially based. This perception may fuel a culture of compliance administration whilst it the objective is to implement integrated planning processes.

- An extensive need exists to cascade the principles and management tools offered by risk management to the lower supervisory levels in all departments. Internal resources should address this.
- National frameworks can be implemented successfully if provincial building blocks are developed and implemented timeously and are supported at provincial level by means of adequate resource allocation.
- Follow-up inquiries indicated that the following Departments still need to submit a Certificate in terms of Treasury Regulation 3.2.2 confirming that a Fraud Prevention Plan based on a Financial Risk Assessment exercise is fully operational:

Office of the Premier, the Royal Household, Departments of Transport, Public Works, Agriculture and Environmental Affairs and Housing.

15. FREE STATE PROVINCIAL ADMINISTRATION

15.1. ATTENDANCE

The consultative workshop was held on 8 May 2001 in Bloemfontein. All Heads of Department were formally invited to attend the workshop with their senior managers.

Thirty-two officials representing nine Provincial Departments attended the workshop (including one Head of Department). The Departments of Social Welfare, Education and Sport, Arts, Culture and Technology were not represented at the workshop.

The Provincial Commissioner for the Free State with technical support from two senior officials attached to the Office of the Public Service Commission and a consultant attached to the Office of German Technical Cooperation (GTZ) hosted the Workshop. The regional Office of the Public Service Commission provided conference support.

15.2. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC SERVICE MANAGEMENT FRAMEWORK

The following were identified:

- Acceptance of a Risk Management culture and formal commitment to the processes exist at the highest institutional levels supported by specific resolutions by the Executive Council. Cascading is problematic.
- Awareness levels regarding the application of risk management as a day-to-day management tool are relatively low at all institutional levels.

- The implementation of national initiatives without proper consideration for Provincial realities (landscape, resources, capacity, etc.) poses a serious risk for service delivery in the Administration.
- The application of transversal systems and capacity of provincial role-players to generate appropriate management reports required for risk identification and prioritisation processes are lacking.
- Internal capacity to ensure the effective “roll out” of the learning experience to supervisory staff is limited.
- Participants highlighted the need for an integrated framework on risk management to assist implementation.

15.3. **FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC FINANCE MANAGEMENT ACT.**

The Province reported that-

- The Executive Council has approved the establishment of an Internal Audit Component attached to the Department of Finance, functioning on a “shared service” basis.
- The envisaged Internal Audit Component will in future be responsible to “drive” financial and fraud risk management processes on behalf of the client departments.

The following were identified:

- The formal establishment of an Internal Audit Component is still outstanding. In a report issued during October 2001, the Provincial Auditor-General expressed his serious concern that the establishment of this unit is still outstanding. In an effort to comply with the requirements of Treasury Regulation 3.2.2, some Departments (with the assistance of consultants e.g. Social Welfare) embarked on processes to conduct a financial and resources risk assessment for the drafting of a Fraud Prevention Plan.
- Line function Departments are generally in the dark as to their functions in terms of the PFMA and specifically as to their responsibilities regarding Risk Management. Following the presentation of the KwaZulu Natal experience, the attendees resolved that the lack of progress, as compared to what has been implemented in KwaZulu Natal, needs to be addressed at the next meeting of the Inter-Departmental Management Committee.
- Extensive work has been done by the Province to establish a more reliable human resource database and payroll arrangements. Doubt was expressed as to the sustainability of these initiatives given the general attitude of non-compliance demonstrated by officials. The reasons for this perceived attitude are:
 - Limited institutionalisation of the Code of Conduct

- Limited involvement of staff, responsible for operationalisation aspects, in the development stages of initiatives to minimise risk elements
- The Provincial Exchequer Act has not yet been repealed. Conflict with the PMFA therefore exists. This may also impede the application of Risk Management practices.
- Follow-up inquiries were made with the Provincial Treasury to obtain more updated information on risk management implementation. No official response could be obtained on the status of the fraud prevention certificates submitted to the Provincial Treasury.

16. LIMPOPO PROVINCIAL ADMINISTRATION

16.1. ATTENDANCE

The consultative workshop was held on 4 September 2001 in Pietersburg. All Heads of Department were formally invited to attend the workshop together with their senior managers. The workshop coincided with the formal launch of Provincial Fraud and Corruption Prevention Plan developed by the Office of the Premier with the assistance of Consultants. It was the intention to establish formal “buy in” on the content of the Plan. Due to the non-attendance of the majority of Heads of Department, this objective was only partially attained.

Twenty-seven officials representing eight Provincial Departments attended the workshop (the Provincial Director and two Heads of Department included). The Department of Safety and Security was not represented at the workshop.

The Provincial Commissioner for the Limpopo Province (formerly Northern Province) with technical support from two senior officials attached to the Office of the Public Service Commission hosted the workshop. The regional Office of the Public Service Commission provided conference support.

16.2. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC SERVICE MANAGEMENT FRAMEWORK

The following were identified:

- Acceptance of a risk management culture and formal commitment to the relevant processes exist at the highest institutional levels.
- Awareness levels regarding the application of Risk Management as a day-to-day management tool are relatively low at all institutional levels.
- Internal capacity to ensure the effective “roll out” of the learning experience to supervisory staff is limited.
- Participants highlighted the need for an integrated framework on Risk Management to assist implementation. Without “in house” expertise, it is problematic to manage consultants tasked with implementing processes.

- Poor work ethics in general constitute a service delivery improvement barrier. For risk management processes to succeed, the level of institutionalisation of the Code Conduct needs to be addressed.

16.3. FINDINGS: RISK MANAGEMENT PRACTICES WITHIN THE CONTEXT OF THE PUBLIC FINANCE MANAGEMENT ACT

The Province reported that:

- In compliance with the provisions of the PFMA, an Internal Audit Unit, serving all provincial departments has been established in the Office of the Premier. Departmental Audit Committees have also been established for all departments.
- An extensive financial risk assessment exercise was conducted in all provincial departments highlighting and prioritising the following risk areas:
 - Financial risks
 - Fraud and corruption risks
 - Health and occupational safety risks and
 - Security risks as they relates to financial management systems.
- Fraud was identified as a major risk in the province as many of the businesses depend on government, to survive. Other fraud risks included ghost workers and ghost beneficiaries, fictitious qualifications, fraudulent subsistence and travel claims, etc.
- Limited capacity exists in departments to implement the plan but the issue of creating the required capacity is addressed in the plan.
- The approach adopted included the establishment of a Fraud and Corruption Control Unit in the Office of the Premier. Each Department has to establish its own Departmental Fraud and Corruption Control Unit. The purpose of these Units will be to appoint and designate investigators to cases, to identify trends, conduct pro-active investigations and to “roll out” integrated Risk Management practices in all departments.

The following were identified:

- Although a transversal provincial Fraud and Corruption Prevention Plan has been established, a limited number of Heads of Department were in a position to issue a Certificate confirming the operationalisation of a Fraud Prevention Plan as required by 7 September 2001.
- The transversal provincial Fraud and Corruption Plan lacks adequate measures setting out the framework for fraud recovery activities to guide departments.
- The utilisation of information technology systems to monitor prioritised risk areas pro-actively is still problematic due to a lack of capacity to generate appropriate management reports.

- An extensive need exists to cascade the principles and management tools offered by risk management to the lower supervisory levels in all departments. Internal resources should address this.
- The safety of whistle blowers seems to be problematic. A Fraud and Corruption Manual, developed as a transversal guideline by the Office of the Premier, provides the reporting lines and the nature of what to report. It also clearly states which cases should be referred to an external investigating unit. Heads of Department are responsible to operationalise the manual and to ensure that adequate measures are in place to protect whistle blowers.
- Follow-up inquiries were made with the Provincial Treasury to obtain more updated information on risk management implementation. No official response could be obtained on the status of the fraud prevention certificates submitted to the Provincial Treasury.

17. GENERAL CONCLUSION.

- Implementation of risk management strategies is currently limited to compliance with regulations and risk management is not institutionalised in the majority of provincial government departments. Risk management plans are not integrated into strategic planning processes. Risk management is, in the majority of instances, currently applied as a financial matter to comply with Treasury regulations. This is also true for fraud prevention plans. The extent to which fraud prevention plans were based on risk assessments conducted in departments, is questionable in most departments.
- Awareness levels of risk management as a management tool are in general low at all institutional levels. A substantial number of participants at the workshops indicated that awareness initiatives were long overdue. The effects are that the rationale for internal control measures is not communicated down to supervisory levels within the framework of risk identification and management processes.
- The majority of the provinces employed consultants to implement and drive financial risk management processes. This can be indicative of a critical shortage of skills in provincial government departments. The cascading of the content of the risk management reports is questionable at the operational and supervisory levels.
- All provinces indicated a lack of capacity and resources to effectively ensure “roll out” of the learning experience to supervisory levels. This hampers the effective implementation of adequate and appropriate risk management strategies at the operational post levels (nine to twelve), as people are not provided with the required background information, knowledge, skills and resources/work tools.
- A more comprehensive risk management framework is required to support implementation within the broader public management and strategic planning spheres. A national framework, guiding the implementation of integrated Risk Management processes needs to be developed by all stakeholders collectively.

This can be done as part of the implementation of the National Anti-Corruption Strategy for the Public Service as endorsed by Cabinet.

PART D

QUESTIONNAIRE ON USE OF REPORT

The purpose of the questionnaire is to provide an indication of the practical value the report has for public servants in reading and using it. It provides valuable feedback to the OPSC on the contents, structure and possible impact the report might have for the users of the report.

Your honest opinion will greatly contribute to this objective being realized. All comments would assist the OPSC to improve on the service it renders to stakeholders and users of the reports.

1. Did you find the report useful? Tick your preference.

Very Valuable	Valuable	Limited Value	No Value
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If you ticked of No Value, please proceed to question six.

2. What aspect of the report was useful?

3. Why did you find this specific part useful?

4. Will you be able to use the report or parts thereof in your daily work?

5. In what way will you be using the report to assist in your daily work?

6. Please provide reasons why this report was not of use to you.

7. What should the report rather focus on or contain to make it useful?

8. How can the OPSC improve on the layout, structure and presentation of the report?

9. What can be done to make reports like these more user-friendly and practical?

10. Any other suggestions on the report?

Thank you for your time and the response.