



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Public Sector Risk Management Framework

Guidelines for the Chief Risk Officer

1. Purpose

The purpose of this guideline is to assist the Chief Risk Officer in discharging his/her responsibility for [risk management](#).

A Chief Risk Officer (CRO) can be defined as a senior official who is the head of the risk management unit.

2. Application

The guideline is designed to:

- Provide the CRO with information to enable him/her to fully understand the roles and responsibilities of his/her office in terms of risk management;

3. How to navigate the guideline

The guideline has been structured according to the sections noted below. Each of the sections contains underlying information that can be accessed by clicking on the title.

- Legal mandate (Section 4)
- Strategic value of the CRO risk management (Section 5)
- High level responsibilities of the CRO (Section 6)
- Evaluation criteria (Section 7)
- Additional reading / reference (Section 8)

4. Legal mandate and corporate governance

4.1 Legal mandate

Legislating the implementation of risk management in public sector institutions is part of a macro strategy of Government towards ensuring the achievement of national goals and objectives.

The CRO is bound by the legislation applicable to "Other Personnel" as set out below.

The following legislative instruments provide the legal foundation for risk management for "Other Personnel"

National Departments

- Section 45 of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA).

Constitutional Institutions

- Section 45 of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA).

Provincial Departments

- Section 45 of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA).

Public Entity

- Section 57 of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA)

Provincial Entity

- Section 57 of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA).

Municipalities

- Section 78 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

Municipal Entity

- Section 105 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

4.2 Corporate Governance

The Institutions can draw guidance from the following:

- [King III Report on Corporate Governance](#);
- [Batho Pele principles](#).

5. Strategic value of the CRO in risk management

The primary responsibility of the Chief Risk Officer is to bring to bear his / her specialist expertise to assist the Institution to embed risk management and leverage its benefits to enhance performance.

The CRO should be accountable to the Accounting Officer / Authority for enabling the business to balance risk and reward and is responsible for coordinating the institution's risk management approach.

The Chief Risk Officer and his/her staff should possess the necessary skills, competencies and attitudes to execute their functions.

6. High level responsibilities of the CRO

Focusing on Enterprise-wide Risk Management (ERM) programmes, the CRO is tasked with the overall efficiency of the ERM function. This is inclusive of the embedding of risk management practices and fostering a risk aware culture within the Institution.

The CRO effectively assumes the role of Institutional advocate for ERM and brings specialist expertise to assist in integrating risk management throughout the Institution.

The high level responsibilities of the Chief Risk Officer should include:

- working with Senior Management to develop the Institution's vision for risk management;
- developing, in consultation with management, the Institution's risk management framework incorporating, inter alia, the:
 - risk management policy;
 - risk management strategy;
 - risk management implementation plan;
 - risk identification and assessment methodology;
 - risk appetite and tolerance; and
 - risk classification.
- communicating the Institution's risk management framework to all stakeholders in the Institution and monitoring its implementation;
- facilitating orientation and training for the Risk Management Committee;
- training all stakeholders in their risk management functions;
- continuously driving risk management to higher levels of maturity;
- assisting Management with risk identification, assessment and development of response strategies;
- monitoring the implementation of the response strategies;
- collating, aggregating, interpreting and analysing the results of risk assessments to extract risk intelligence;
- reporting risk intelligence to the Accounting Officer / Authority, Management and the Risk Management Committee; and
- participating with Internal Audit, Management and Auditor-General in developing the combined assurance plan for the Institution.

In addition to the above mentioned high level responsibilities, the CRO needs to possess certain attributes to function effectively and efficiently.

[Click here to view the attributes of a CRO.](#)

7. Evaluation

Clear objectives and key performance indicators should be set for the CRO in respect of risk management. These indicators must be able to measure the CRO's effectiveness in leading the Institution's risk management in contributing to the Institution's goals and objectives.

The Accounting Officer / Authority, in consultation with the Risk Management Committee or Audit Committee, should evaluate the performance of the Chief Risk Officer through the following and other relevant indicators:

- development and implementation of the risk management policy, strategy and implementation plan;
- the Institution's collective awareness, skill and participation in risk management;
- risk management maturity;
- quality and timeliness of support to Management, other officials and the Risk Management Committee;
- quality and timeliness of risk intelligence; and
- absence of surprises.

8. Additional reading / reference

A catalogue of additional resources is included below to assist the CRO to facilitate implementation of risk management. Click on the relevant link to access these documents.