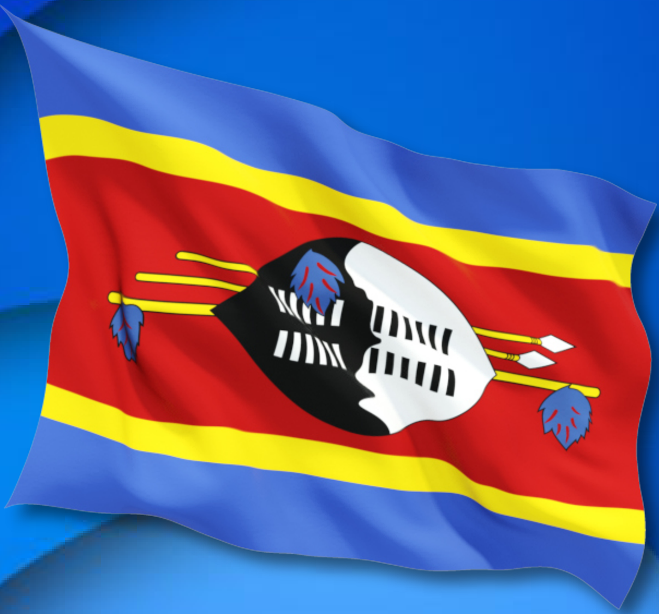

ESWATINI GOVERNMENT

ENTERPRISE RISK MANAGEMENT POLICY

RISK APPETITE STATEMENT

Eswatini Government is determined to manage risk well in order to protect the public resources, promote economic growth and secure our future. It is our intent to demonstrate an ongoing commitment to improving risk management throughout the public sector. Risk appetite shall provide the basis for setting acceptable levels of risk tolerance, thresholds and contribution to the identification and implementation of mitigation actions. The government of the Kingdom of Eswatini recognises the need to take risks given its mandate to deliver services to the people of the country in a fair and equitable manner. The government believes considerable risk taking is justified to achieve its goals in the unstable and volatile economic environment where opportunities for improved economic growth are available.

In Ministries Departments and Agencies (MDAs), criteria for risk appetite may differ in different spheres of the organization. For example, low appetite for risk in security, higher appetite in programme areas where innovation is key.

Risks shall be expressed as residual risk i.e. the risk after mitigation measures and/or controls have been implemented. Eswatini Government risk appetite in broad terms shall therefore be defined as follows:

(i) Risk with a minor or moderate or significant impact are accepted where the likelihood of the risk event is assessed as rare or unlikely;

(ii) Risk with a significant or major or catastrophic impact are accepted where the likelihood of the risk event is assessed as rare.

When a risk exceeds the agreed risk appetite, escalation point is reached. The risk shall then be transferred to the next higher level of management for which it constitutes a lower level risk. The higher level of management shall act on the risk directly or adjust the risk appetite and let the lower level manage the risk.

The Risk Management Committee coordinates the assessment of the risks in excess of this risk appetite. Risks will only be accepted after ensuring that the mitigation measures in place are suitable and appropriate.

Risk appetite is no constant value. It is informed by changing variables such as reported results of control-mechanisms that have succeeded or failed in the past, the changing value of asset potentially to be lost, perception of stakeholders or extent of possible improved control. We encourage considered risk taking, experimentation and innovation. Our priority is to reduce those risks that impact on public finance, but we will also reduce our operational and reputational risks.

HONOURABLE NEAL RIJKENBERG
MINISTER OF FINANCE

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1.0. INTRODUCTION

All activities undertaken by Ministries, Departments and Agencies (MDAs or Public Entities) carry some element of risks. The exposure to these risks must be managed at all levels. It is in the interest of Government to manage such potential adverse effects or risks while taking advantages of potential opportunities through enterprise risk management frameworks.

The Enterprise Risk Management (ERM) Policy provides a foundation for the management of risks across the public sector. The policy outlines how the Government of Eswatini will ensure that risks are well-managed and risk management is embedded in our organizational strategies, structures and systems for integration at all levels and work context; making it part of our day – to - day decision making and practices. The policy elaborates on the rationale for risk management, the responsibilities and accountabilities for managing risks as well as monitoring and reporting of risks as part of good governance.

This policy, together with Enterprise Risk Management Framework and Risks Appetite Statement shall form the Risk Management Frameworks for Eswatini Government.

2.0. MANDATE

The mandate of this policy is derived from the Public Finance Management Act, 2017 section 6 (1) (e) (g), 11 (2) (a) and (g).

3.0. SCOPE

This policy shall apply to public entities and activities thereof. In essence, the ERM policy shall form part of Government of Eswatini's governance framework and shall apply to anyone working for or on behalf of Eswatini Government.

4.0. RATIONALE FOR POLICY

Specifically, the policy seeks to:

4.1. Make risk management integral to public entities' culture and decision making, strategic plan, resource allocation and resource utilization in achieving objectives with a view to achieving optimal outcomes and results.

4.2. Maintain forward-looking rather than reactive risk management by encouraging well planned and well managed risk-taking.

4.3. Improve planning and performance processes, enabling government to focus on core business service delivery and continuous improvements.

4.4. Identify threats and opportunities related to public entities and treat them accordingly at all levels.

4.5. Provide reasonable assurance to stakeholders that risks affecting the achievement of government's objectives are appropriately managed in achieving the desired results.

5.0 IMPLEMENTATION OF THE POLICY

The enterprise risk management is a shared responsibility. In line with the three-line defence model, enterprise risk management in the public sector shall be implemented and managed at the:

5.1. Process level

5.2. Department level

5.3. Entity and holding level

6.0 RISK MANAGEMENT PROCESS

The Eswatini Government Enterprise Risk Management shall be largely based on COSO and ISO framework. It shall consist of the following steps:

6.1. Establishing the context

The Eswatini Government risk management methodology shall be applied at all levels within its relevant internal and external parameters that government may consider when managing risks.

An internal context shall include internal stakeholders, our approach to governance and strategy formulation, our contractual relationships, our capabilities, culture and standards as well as any internal factor that affects our goals and objectives. An external context shall include our external stakeholders, our local, national and international environment, as well as any external factors that influence our goals and objectives.

6.2 Risk Assessment

6.2.1 Risk Identification

Risk identification constitutes the process used to determine, recognize and describe the risks that could affect the achievement of objectives. Each risk shall be identified relevant to the established context and the government's overall objectives. The risk description shall consist of event, cause and consequences.

6.2.2 Risk Analysis

Each risk identified shall be analysed as to the likelihood of it happening and as to the impact if it happens. By considering causes of the risk and existing controls to mitigate the risk, the likelihood and impact of residual risk shall be determined.

6.2.3 Risk Evaluation

Risk evaluation shall be used to compare risk analysis results with risk criterion to determine whether or not a specific level of risk is acceptable or tolerable. Respective risks analysed shall be evaluated to determine which risks need treatment and prioritization.

6.3 Risk Response

Eswatini public entities shall identify and evaluate possible appropriate responses to risks taking into account overall approved risk appetite and tolerance level. The responses include the following;

6.3.1 Avoiding the risk by not starting the activity that creates exposure to the risks;

6.3.2 Reducing or mitigating the risk through improvements to the control environment;

6.3.3 Transferring the risk exposure to the third party that is better able to manage the risk.

6.3.4 Tolerate or accept the risk where the level of exposure is as low as reasonably practical or where there are exceptional circumstances;

6.3.5 Exploit the risk where the risk represents a potential missed or poorly realised opportunity;

6.3.6 Terminating the activity that gives rise to the intolerable risk and

6.3.7 Integrate some or all of the risk responses outlined above.

6.4 Risk Monitoring and Review

6.4.1 The entirety of enterprise risk management shall be monitored and modifications made as necessary in order to react dynamically and change as conditions warrant.

6.4.2 Monitoring shall be accomplished by ongoing management activities, separate evaluations of enterprise risk management or a combination of the two.

6.4.3 Risk monitoring shall be part of the public entities' broader performance management processes and be clearly linked to performance indicators for all public servants.

6.5 Risk Reporting

6.5.1. Risk management shall be reviewed and reported to;

- Monitor whether or not the risk profile is changing;

- Gain assurance that risk management is effective; and

- Determine whether further action is necessary.

6.5.2. Relevant risk information shall be reported in a form and timeframe that will enable public servants to carry out their responsibilities as described on the roles and responsibilities.

7.0. RISK CATEGORIES

The policy establishes broad categories of risks including:

7.1 Strategic risks,

7.2 Operational risks

7.3 Financial risks and

7.4 Legal/compliance risks.

Risks derived from external environment and loss of reputation shall be categorised as strategic.

8.0. RISK REGISTER

The risk register shall contain medium, high and critical risks. The low risks shall be separately monitored and managed from the risk inventory. Eswatini government shall maintain three types of risk registers; the “entity risk register” where medium to high risks shall be maintained, “strategic risk register” where entity’s critical risks shall be maintained and national risk register where high to critical risks of public entities shall be maintained at national level. Critical risks in an entity shall be owned by the Chief Executive Officer. High risks shall be owned by heads of departments. Low to medium risks shall be owned by heads of processes and sections who report to heads of departments. The Internal Audit shall monitor critical and high risks both individually and in the aggregate in providing assurance that appropriate mitigation actions are in place and report to the Audit Committee accordingly. The risk register shall be the main tool for monitoring risks and one of the bases for combined assurance.

9.0. LAWS, POLICIES AND PROCEDURES

Eswatini Government shall manage risks by ensuring appropriate governance structure, legal framework, policies and procedures are kept up to date to protect government’s resources, information, relationships and reputation.

10.0. ROLES AND RESPONSIBILITIES

Risk management is for all public servants at all levels. The primary responsibility for identifying and managing risks shall lie with management at all levels.

10.1. Public Servants

Public servants shall be responsible for day-to-day risk management at process level as well as application of internal controls. In particular, they shall identify, assess and treat risks in their areas of operations.

10.2. Heads of Functions/Departments/Offices

Heads of functions/Departments/Offices shall be responsible for the overall management of risks related to their respective functions, departments or offices with the support of Risk Champions.

10.3. Risk Management Committee

Each public entity shall have a risk management committee constituted, comprising heads of functions/departments/offices. The risk management committee shall regularly review and analyse the aggregated risk register and assurance reports with a view to identify critical to major risks and issues requiring the attention of the Chief Executive Officer. The committee shall report to respective Chief Executive Officer and Board copying the Chief Risk Officer for consolidation at overall government level.

The Risk Management Committee shall conduct quarterly and annual review of organization-wide key risk assessment. A summary report, including the organization-wide risk profile that provide a summary view of the key risks shall be submitted to the Chief Executive Officer and the Board for approval and direction.

10.4. The Chief Executive Officer

The primary responsibility for day-to-day risk management shall rest with respective Principal Secretaries and Heads of Agencies who shall:

10.4.1. Oversee the risk management responsibilities.

10.4.2 Establish a risk management committee headed by the Under Secretaries

10.4.3. Integrate risk management into the planning process and strategy

10.4.4. Promote risk management culture and reinforce commitment to sound risk

management practices, policies and decision-making

10.4.5. Report on quarterly performance the status of critical risk matters

10.5 Minister of Finance

The Minister of Finance shall be ultimately responsible for overseeing the implementation of effective risk management. The Minister of Finance shall be responsible for:

10.5.1. Establishing Eswatini Government risk philosophy and approving the framework for risk differentiation.

10.5.2. Monitoring the extent to which public entities have established effective enterprise risk management.

10.5.3. Reviewing the portfolio of risks and considering it against the approved risk appetite and threshold

10.5.4. Monitor significant risks and ensure that management is addressing them appropriately.

10.5.5. Ensuring accountability of MDAs for risk oversight

10.5.6. Ensuring that risk management is part of Government strategy

10.6 Independent Risk Management Assurance

Independent assurance providers shall provide independent assurance on risk management practices in public entities generally. The Auditor General shall provide assurance to Parliament and the Director of Internal Audit Office shall provide assurance to the Minister. Other assurance providers shall provide assurance to their reporting structures and share reports to the Auditor General and Director Internal Audit in accordance with the combined assurance framework.

11.0. EFFECTIVENESS

The effectiveness of Eswatini Government enterprise risk management process shall be a factor of whether all activities of the risk management processes are properly undertaken and whether public servants are acting with proper fiduciary responsibilities to Government.

12.0. LIMITATIONS

The implementation of the enterprise risk management process might be limited by unforeseen events though implemented in a sound and effective manner. These may include random occurrences, systemic failure, catastrophic events, faulty judgment, human error or collusion.

However, the objective of this comprehensive risk policy is to provide the Cabinet, Audit Committee and Management with a reasonable assurance that the Eswatini Government has implemented with due diligence the systems and processes required to react promptly and commensurably to internal and external threats and opportunities.

13.0. COMMUNICATION AND TRAINING

This policy shall be disseminated through an appropriate directive to all staff. Improving the consistency and rigor in risk management involves a shift in organizational culture and this requires further communications, training, and day-to-day reinforcement of risk management expectations.

To ensure increased awareness and reinforcement of risk management expectations, heads of departments shall disseminate the policy to public servants. In each of their respective areas, they are expected to facilitate learning of staff on expected risk management practices. Judicious risk management shall be accordingly recognized in Staff Performance Evaluation Reviews.

14.0. REVIEW OF THE POLICY

The chief risk officer shall coordinate an evaluation of this policy and its implementation every five years from the effective date or when circumstances demand. The review and update of this policy and the related risk management framework elements shall consider the evolving needs of Eswatini Government and the environment in which it operates as well as updates to applicable standards including COSO and ISO. The Cabinet shall approve revisions to this policy.

15.0. GOVERNMENT PHILOSOPHY

The philosophy of the Government of Eswatini is that ERM is a shared responsibility and therefore everyone is expected to actively manage risks and seize opportunities for the achievement of the objectives outlined in the national development plan. This policy establishes a risk management philosophy that adds on existing processes as part of government's commitment to continuous improvement of public sector governance.

GLOSSARY OF TERMS

The following commonly used risk terms are defined below to promote a consistent understanding:

Cabinet This constitutes the Prime Minister, the Deputy Prime Minister and Ministers of Government.

Control A process effected by Cabinet, Parliament, Executive Management and other authorized personnel designed to provide reasonable assurance regarding the achievements of objectives.

COSO Committee of Sponsoring Organizations of the Tread way Commission

Chief Executive Officer A person with principal managerial responsibility for a public entity and includes a Principal Secretary (PS) of a ministry or a person designated as a controlling officer.

Chief Risk Officer A person responsible for managing and propelling a risk management agenda and inculcating a consistent level of risk awareness and culture. This is the officer who will manage and drive risk management agenda and be responsible for consolidating a national risk register.

ERM Enterprise Risk Management

Impact The effect of a risk relative to the achievement of objectives.

Independent Assurance Provider This refers to Government entities that provides assurance intended to inspire confidence arising from objective examination of evidence for the purpose of providing an assessment of governance, risk management and control processes for an organization

Inherent Risk Risk without considering the application of any mitigating measures or any controls

ISO International organization for Standardization

Likelihood Possibility that a risk may occur

Management Comprise of the Chief Executive Officer and Heads of Department.

GLOSSARY OF TERMS

Minister Means the minister responsible for Finance

Opportunity An event or circumstance that may positively affect the achievement of objectives

Residual Risk Risk after the application of mitigating measures or controls

Risk An event or circumstance that may affect the achievement of objectives.

Risk Appetite Degree of risk, on a broad-based level, that government is willing to accept in pursuit of its vision, goals and objectives

Risk Owner A person or entity that has been given the authority to manage a particular risk and is accountable for doing so.

Risk Profile An organization-wide or office-wide inventory of risk categories, from internal and external sources, assessed in terms of significance in relation to objectives and defined risk tolerance levels.

Risk Register A risk management tool that serves as repository of all risks identified.

Risk Response Decisions made and actions taken to bring the residual risk within the accepted risk tolerance.

Risk Significance The overall importance of a risk considering both the impact of the event and the likelihood of its occurrence. Risk significance is also referred to as Risk Level.

Risk Tolerance Risk tolerance is the amount of risk an organization can withstand. It is an acceptable variation in outcomes related to a specific performance.

Threat An event or circumstance that may adversely affect the achievement of objectives

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