



on the Go for Growth

RISK MANAGEMENT POLICY FOR 2018/19 FY

Date:

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RISK MANAGEMENT POLICY

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RISK MANAGEMENT POLICY

GLOSSARY OF TERMS

TERMINOLOGY	DEFINITION OF TERMINOLOGY
Accounting officer/MM	Refers to the Municipal Manager
Constitution	Constitution of the Republic of South Africa, Act 108 of 1996
Enterprise Risk Management (ERM)	Enterprise risk management is a structured and consistent approach across the Municipality that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks (threats and opportunities) that the Municipality faces to create stakeholder value or choices made under conditions of uncertainty, bound by acceptable levels of risk, designed to sustain / maximize stakeholder value.
King IV	Refers to the king code of Corporate Governance for South Africa 2016.
MFMA-	Municipal Finance Management Act 56 of 2003
Municipality-	refers to Waterberg District Municipality
Management	All officials of the institution except for the Risk Officer and officials reporting to him/her.
Other Officials	Refers to an official other than the Accounting Officer/Authority, Management, Risk Officer and his/her staff.
Risk -	Refers to an unwanted outcome, actual or potential, to the department's service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present upside potential, which management must be aware of and be prepared to exploit. Such opportunities are encompassed in this definition of risk.
Risk management-	A systematic and formalized process instituted by the department to identify, assess, manage and monitor risks.
Risk Management committee	A committee appointed by the Accounting Officer to review the institution's system of risk management.
Risk Management unit	A business unit responsible for coordinating and supporting the overall institutional risk management process, but which does not assume the responsibilities of management for

REFERENCES

In the compilation of this Policy, extensive reliance was made on;

- I. Constitution of the Republic of South Africa, Act 108 of 1996 (Constitution)
- II. Local Governments: Municipal Finance Management Act 56 of 2003 (MFMA)
- III. The National Treasury's Public Sector Risk Management Framework guidelines and templates;
- IV. COSO Enterprise Risk Management – Integrated Framework;
- V. ISO 31000 'Risk management – Code of Practice';
- VI. King IV Corporate Governance Code of Good Practices; and
- VII. The IIA International standards for the Professional Practice of Internal Auditing.

1. BACKGROUND

The Municipality is bound by its constitutional mandate to provide services or products in the interests of the public good. It has realized that no institution has the luxury of functioning in a risk-free environment and public institutions are especially vulnerable to risks associated with fulfilling their mandates.

Risk management is a valuable management tool which increases an institution's prospects of success through minimizing negative outcomes and optimizing opportunities and as a result the Municipality is committed in articulating the municipality's risk management philosophy in terms of how risk management is expected to support the Municipality in achieving its objectives.

2. REGULATORY FRAMEWORK

2.1 Constitution of the Republic of South Africa, Act 108 of 1996 (Constitution)

Section 195 of the Constitution emphasises the values and principles underpinning the Public administration, which include the efficient, economic and effective use of resources in the public sector.

Planning is very important in clarifying the intentions of Government in the medium term; facilitating the allocation of budgets according to priorities; monitoring results and enforcing accountability in the whole of Government. Embedded within this planning framework is an internal control and risk management framework that serves to ensure that public service organisations achieve their outcomes. Risk management is undoubtedly one of the most important management tools during an era of public service reforms.

2.2 Public Service Regulations

In addition to the constitutional provisions, the National Treasury's Public Sector Risk Management Framework provides for the implementation of an enterprise risk Management framework for the entire public service.

2.3 The King IV Report on corporate governance

The King IV Report on corporate governance prescribes that an organization should establish a management structure that adequately identifies, measures, monitors and controls the risks involved in both strategic and operational directions.

2.4 Local Governments: Municipal Finance Management Act 56 of 2003 (MFMA)

The MFMA sets out the roles and responsibilities of the key stakeholders within the risk management process as follow:

2.4.1 Accounting Officer

Section 62 of the MFMA requires that:

1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure-

(c) That the municipality has and maintains effective, efficient and transparent systems-

(i) of financial and risk management and internal control"

2.4.2 Management, Risk Officer, Risk Specialists and Other Personnel

In terms of section 78 management responsibilities are extended to all senior managers and other officials of municipalities. This implies that responsibility for risk management vests at all levels of management and personnel and is not limited to only the Accounting Officer, the Risk Management Unit or Internal Audit division.

2.4.3 The IIA International standards for the Professional Practice of Internal Auditing

In terms of section 165 (2) of the MFMA requires that, the internal audit unit of a Municipality or Municipal entity must –

(a) Prepare a risk based audit plan and an internal audit program for each financial year;

(b) Advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:

(i) risk and risk management."

2.4.4 Audit Committee

Section 166 (2) of the MFMA states, an audit committee is an independent advisory body which must–

(a) Advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and management staff of the municipal entity, on matters relating to -

(ii) Risk and risk management."

3. POLICY OBJECTIVES

The objectives of the Policy are to:

(a) Promote the Public Sector Risk Management Framework in order to create a favorable risk management culture at all levels within the Municipality and to improve risk transparency.

(b) Maximise value and net worth by managing risks that may impact on the defined financial and performance drivers of the Municipality.

- (c) Assist the Municipality in enhancing and protecting those opportunities that represent the greatest service delivery benefits.
- (d) Provide clarity in respect of the roles and responsibilities of the various key stakeholders in the Enterprise Risk Management value chain.
- (e) Provide a framework for Enterprise-wide Risk Management
- (f) Support the Municipality to improve and sustain their performance by enhancing their systems of risk management to protect against adverse outcomes and optimize opportunities.

4. BENEFITS OF RISK MANAGEMENT

The Waterberg District Municipality implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management will assist the municipality to achieve, among other things, the following outcomes needed to underpin and enhance performance:

- a) more sustainable and reliable delivery of services;
- b) innovation, more confident and rigorous decision-making and planning;
- c) better identification of opportunities and threats;
- d) reduced waste, improved management and reduction in loss and cost risk;
- e) prevention of fraud and corruption and a clear understanding by all staff of their roles, responsibilities and authorities for managing risk
- f) better value for money through more efficient use of resources; and
- g) Better outputs and outcomes through improved project and programme management.

5. SCOPE OF THE POLICY

This policy applies to all employees, stakeholders, contractors, vendors / suppliers and any other party doing business with the Municipality

The realisation of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk will enable the Municipality to anticipate and respond to changes in our service delivery environment, as well as to make informed decisions under conditions of uncertainty.

We subscribe to the fundamental principles that all resources will be applied economically to ensure:

The highest standards of service delivery;

- a) A management system containing the appropriate elements aimed at minimising risks and costs in the interest of all stakeholders;
- b) Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholders expectations; and
- c) Maintaining an environment, this promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

An entity-wide approach to risk management is adopted by the Waterberg District Municipality, which means that every key risk in each part of the municipality will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the municipality's systems and processes, ensuring that our responses to risks remain current and dynamic. All risk management efforts will be focused on supporting the strategic objectives of the Municipality. Equally, they must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

6. ROLE PLAYERS

Every employee is responsible for executing risk management processes and adhering to risk management procedures laid down by the Council in their areas of responsibilities.

6.1 EXECUTIVE SUMMARY OF RISK MANAGEMENT RESPONSIBILITIES

6.1.1 Risk management responsibilities for the Accounting Officer

The Accounting Officer is the ultimate Chief Risk Officer of the Municipality and is accountable for the municipality's overall governance of risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment. The Accounting Office should;

- a) Determine strategic approach to risk and set risk appetite
- b) Establish the structures for risk management
- c) Understand the most significant risks

6.1.2 Risk management responsibilities of the Executive Management.

- a) Build risk aware culture within the directorate
- b) Agree on risk management performance targets
- c) Ensure implementation of risk improvement recommendations

- d) Identify and report changed circumstances risks

6.1.3 Risk management responsibilities of individual employees

- a) Understand, accept and implement risk management processes
- b) Report inefficient, unnecessary or unworkable controls
- c) Report fraud, theft, corruption and incidents of override of controls
- d) Co-operate with management on incident investigations

6.1.4 Risk management responsibilities of Risk Officer

The Risk Officer is the custodian of the Risk Management Strategy, and coordinator of risk management activities throughout the Municipality. The primary responsibility of the Risk Officer is to bring to bear his/her specialist expertise to assist the Municipality to embed risk management and leverage its benefits to enhance performance. He/she should;

- a) Develop and maintain risk management policy, strategy and framework
- b) Document the internal risk policies and structures
- c) Co-ordinate the various risk management activities
- d) Compile risk information and prepare reports for senior management

6.1.5 Risk management responsibilities of Internal Audit:

- a) Develop a risk-based internal audit programme.
- b) Audit the risk processes across the Organization.
- c) Receive and provide assurance on the management of risk.
- d) Report on the efficiency and effectiveness of internal controls

6.2 RISK MANAGEMENT OVERSIGHT

6.2.1 Municipal Council

The Council takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the municipality against significant risks.

6.2.2 Audit Committee

The Audit Committee is an independent committee responsible for oversight of the municipality's control, governance and risk management. The responsibilities of the

Audit Committee with regard to risk management were formally defined in its charter. The Audit Committee provides an independent and objective view of the municipality's risk management effectiveness.

6.2.3 Risk Management Committee

The Risk Management Committee is appointed by the Accounting Officer to assist him/her to discharge his responsibilities for risk management. The Committee's role is to review key risks facing the municipality and evaluating the responses to address these risks, assessing the maturity of the municipality and the effectiveness of risk management activities. The responsibilities of the Risk Management Committee are formally defined in its charter.

6.2.4 External Audit

The external auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management.

6.2.5 ACCESS TO INFORMATION

The Risk management unit has the authority to:

- Have unrestricted access to all Municipality's records, including free and unrestricted access to the Accounting Officer, Management meetings, Auditor-General and the Chairperson of the Risk Management Committee records.
- Obtain the necessary assistance of personnel in units of the Municipality where risk assessments are performed, as well as other specialized services from within or outside the Municipality

7. MONITORING AND EVALUATION

7.1 Internal monitoring

Monitoring must focus on the effectiveness of the existing controls and the implementation of additional controls, as well as the cost-effectiveness of the existing controls.

The Risk Officer must monitor the effectiveness of risk mitigating strategies on quarterly and monthly basis;

Additionally, monitoring and measuring must include the evaluation of the risk aware culture and the risk management framework, and an assessment of the extent to which risk management tasks are aligned with other corporate activities.

Monitoring and measuring must extend to the evaluation of culture, performance and preparedness of the Municipality.

The scope of activities covered by monitoring and measuring must include the monitoring of risk improvement recommendations and evaluation of the

embedding of risk management activities in the Municipality, as well as the routine monitoring of risk performance indicators.

Monitoring the preparedness of the Municipality to cope with major disruption is an important part of risk management.

The evaluation of the existing controls will lead to the identification of risk improvement recommendations. These recommendations must be recorded in the risk register by way of a risk action plan.

Monitoring activities must provide assurance that appropriate controls are in place and that the procedures are understood and followed.

8.2 Assurance

The internal audit unit must provide independent assurance on the effectiveness of risk management activities in line with their internal audit coverage plan.

Monitoring and measuring processes must also determine whether:

- (a) Measures adopted achieved the intended result;
- (b) Procedures adopted were efficient;
- (c) Sufficient information was available for the risk assessments;
- (d) Improved knowledge would have helped to reach better decisions;
- (e) Lessons can be learned for future assessments and controls.

The various monitoring processes must be performed by Management, the Risk Management Committee and the Audit Committee.

8.2 Maturity Assessment

Risk maturity is a benchmarking tool, which measures to what extent an organization has implemented Enterprise **Risk** Management (ERM), in accordance with prevailing best practice.

The Risk Maturity Model (RMM) outlines key indicators and activities that comprise a sustainable, repeatable and mature enterprise risk management (ERM) program. Taking the risk maturity self-assessment, organizations benchmark how their risk management practices has matured against the risk management maturity indicators

The risk management maturity should be conducted at least annually to assess the level of maturity. A clear process should be agreed and communicated to participants before the assessment is conducted.

8.3 External monitoring

Section 5(2) (c) (i) of the MFMA states that National Treasury may monitor and assess compliance by municipalities with the MFMA.

Section 5(2) (f) empowers National Treasury to take any other appropriate measures to perform its functions effectively. These particular prescripts therefore permit National Treasury to monitor and assess risk management within the local sphere of government. Furthermore, National Treasury should assess the quality of implementation to ensure that implementation does not become an end in itself, but a means to help institutions to understand their risks and manage such risks in a prudent manner.

9. COMPLIANCE AND ADOPTION

Compliance with this policy is essential to ensure that the Municipality's risks are monitored and managed on a continuous basis in order to maximize potential opportunities and minimize the adverse effects of risks and increase the likelihood that the Municipality's strategic and operational objectives will be achieved.

10. POLICY REVIEW

The Risk Management Policy should be reviewed on annual basis.

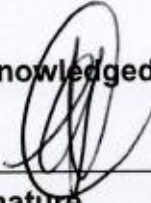
REVIEWED BY DATE

December 2018

Adopted by Council at its meeting held on the 06 December 2018

Signed at Modimolle Resolution No: A180 / 2018

Acknowledged by: Acting Municipal Manager


Signature

6/12/2018
Date