

FETAKGOMO LOCAL MUNICIPALITY



RISK MANAGEMENT POLICY 2015/16

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1. Introduction

The Accounting Officer has committed to a process of risk management that is aligned to the principles of good corporate governance, as supported by Municipal Finance Management Act (MFMA), Act no 56 of 2003.

2. Risk and Risk Management

Risk refers to an unwanted outcome, actual or potential, to the Municipality'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 is a systematic and formalised process instituted by the Municipality to identify, assess, manage and monitor risks.

2.1 Benefits of Risk Management

2.1.1. Fetakgomo Local 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) informed decisions underpinned by appropriate rigour and analysis;
- c) innovation;
- d) reduced wasteful expenditure;
- e) prevention of fraud and corruption;
- f) better value for money through more efficient use of resources; and
- g) better outputs and outcomes through improved project and programme management.

3. Purpose of the Policy

The purpose of this Policy is to articulate Fetakgomo Local Municipality's risk management philosophy. Fetakgomo Local Municipality recognizes that risk management is a systematic and formalized process to identify, assess, manage and monitor risks and therefore adopts a comprehensive approach to the management of risk.

4. Scope of the Policy

This policy applies throughout the Municipality in as far as risk management is concerned.

5. The Policy

5.1. 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 us to anticipate and respond to changes in our service delivery environment, as well as take informed decisions under conditions of uncertainty.

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

- a) The highest standards of service delivery;
- b) A management system containing the appropriate elements aimed at minimising risks and costs in the interest of all stakeholders;
- c) 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
- d) Maintaining an environment, which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

5.3. A Municipality approach to risk management is adopted by the Fetakgomo Local 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.

5.4. 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.

5.5. All risk management efforts will be focused on supporting the Municipality objectives. 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 Municipality management in their areas of responsibilities.

6.1 Risk Management Oversight

6.1.1 Executive Authority

The Executive Authority 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.

6.1.2 Audit Committee

- a) The Audit Committee is an independent committee responsible for oversight of the Municipality's control, governance and risk management.
- b) The responsibilities of the Audit Committee with regard to risk management are formally defined in its charter.
- c) The Audit Committee provides an independent and objective view of the Municipality's risk management effectiveness.

6.1.3 Risk Management Committee

- a) The Risk Management Committee is appointed by the Accounting Officer / Authority to assist them to discharge their responsibilities for risk management.
- b) The Committee's role is to review the risk management progress and maturity of the Municipality, the effectiveness of risk management activities, the key risks facing the Municipality, and the responses to address these key risks.
- c) The responsibilities of the Risk Management Committee are formally defined in its charter.

6.1.4 Risk Management Committee Chairperson

The chairperson of the Risk Management Committee should be an independent external person, appointed by the Accounting Officer / Authority. The chairperson of the risk management committee should discharge his or her governance responsibilities by assisting the Risk management committee in:

1. Reviewing and recommending for the Approval by Council, the:
 - a) risk management policy;
 - b) risk management strategy;
 - c) risk management implementation plan;
 - d) Institution's risk appetite.
2. setting for all material risks individually, as well as in aggregate for particular categorizations of risk
3. ensuring that the Institution's ability to withstand significant shocks
4. interacting with the Audit Committee to share information relating to material risks of the Institution

5. reviewing the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations.

6.2 Risk Management Implementers

6.2.1 Accounting Officer

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

6.2.2 Management

Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management into the operational routines.

6.2.3 Other Officials

Other officials are responsible for integrating risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

6.3 Risk Management Support

6.3.1 Risk Officer

- a) The Risk Officer is the custodian of the Risk Management Strategy, and coordinator of risk management activities throughout the Municipality.
- b) 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.
- c) The Risk Officer 's responsibility involves intervening in instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of skills and expertise.

6.4 Risk Management Assurance Providers

6.4.1 Internal Audit

- a) The role of the Internal Auditing in risk management is to provide an independent, objective assurance on the effectiveness of the Municipality's system of risk management.
- b) Internal Auditing must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

6.4.2 External Audit

- a) The external auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management.
- b) A Municipal 's approach to risk management will be adopted by the Institution, which means that every key risk in each part of the Institution will be included in a structured and systematic process of risk management.
- c) It is expected that the risk management processes will become embedded into the Institution's systems and processes, ensuring that our responses to risk remain current and dynamic.
- d) All risk management efforts will be focused on supporting the Institution's objectives. Equally, they must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

7. Policy review

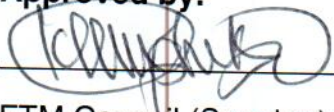
This Policy shall be reviewed annually to reflect the current stance on risk management.

8. Approval

Fetakgomo Local Municipality's Risk Management Policy is recommended by the Chairperson of Risk Management Committee.


Risk Management Committee Chairperson

28/05/2015
Date

Approved by:

FTM Council (Speaker)

28/05/2015
Date

C100/2015
Council resolution number

28 May 2015
Date