



RISK MANAGEMENT POLICY

APPROVAL	
_____ CHAIRPERSON : RISK MANAGEMENT COMMITTEE	_____ DATE
_____ MUNICIPAL MANAGER	_____ DATE
EFFECTIVE DATE	DATE

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1. PURPOSE

The purpose of this policy document is to provide guidance and direction to the Greater Tubatse municipality and staff on the management of risks facing the Municipality. Formal and systematic approaches to managing risk have evolved and are now regarded as good management practice. As a consequence, the Greater Tubatse municipality acknowledges that the adoption of a strategic and formal approach to risk management will improve decision-making, enhance economic, efficient service delivery and accountability.

2. SCOPE

This document presents the GTM policy and guidelines for managing risk, as defined and approved by the Municipality. The policy defined by the Accounting Officer for the management of risks across all divisions within the Municipality considers:

- Mechanisms for assessing the state of risk management;
- Responsibility for reducing risk exposures;
- Responsibility for promoting awareness of risk management;
- Mechanisms for monitoring and reporting the state of risk management.

3. LEGISLATIVE MANDATE

The following legislative instruments provide the legal foundation for the Accounting Authority's responsibility for risk management,

The Municipal Finance Management Act 56 of 2003

Section 62 (1) (c)(i) 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 responsible steps to ensure -

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

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

The extension of general responsibilities in terms of Section 78 of the MFMA to all senior managers and other officials of municipalities implies that responsibility for risk management vests at all levels of management and that it is not limited to only the accounting officer and internal audit.

Section 166 (2) of the MFMA states:

*"(2) 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 management."*

Section 165 (2) (a), (b)(iv) of the MFMA requires that:

*"(2) 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:*

- *(iv) Risk and risk management."*

Treasury Regulations Chapter 3

The Accounting Officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution. A risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks. The strategy must be clearly communicated to all officials to ensure that the risk management strategy is incorporated into the language and culture of the institution.

The King report on Corporate Governance also reflects on risk management as an integral part of strategic and operational activities

3. POLICY STATEMENT

The GTM has committed itself to a process of risk management that is aligned to the principles of good corporate governance, as supported by the *Municipal Finance Management Act (MFMA), Act 56 of 2003*. Risk management is recognised as an integral part of responsible management and the GTM therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in the GTM's Risk Management Strategy. It is expected that all programmes/ Units , operations and processes will be subject to the risk management strategy. It is the intention that these programmes/ Units will work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.

Effective risk management is imperative to the GTM to fulfil its mandate, the service delivery expectations of the public and the performance expectations within the Municipality. The realisation of our IDP 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. We subscribe to the fundamental principles that all resources will be applied economically to ensure:

- The highest standards of service delivery;
- A management system containing the appropriate elements aimed at minimising risks and costs in the interest of all stakeholders;
- Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent performance to the stakeholders expectations; and
- Maintaining an environment, that promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

**THE GREATER TUBATSE MUNICIPALITY
RISK MANAGEMENT POLICY**

An entity-wide approach to risk management will be adopted by the GTM, 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 GTM's systems and processes, ensuring that our responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the GTM's objectives. Equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

The risk policy statement shall be reviewed annually to reflect the current stance on risk management. *Every employee has a part to play in this important endeavour and we look forward to working with you in achieving these aims.*

Signed: _____

Municipal Manager: _____

Date: _____

4. Applicability

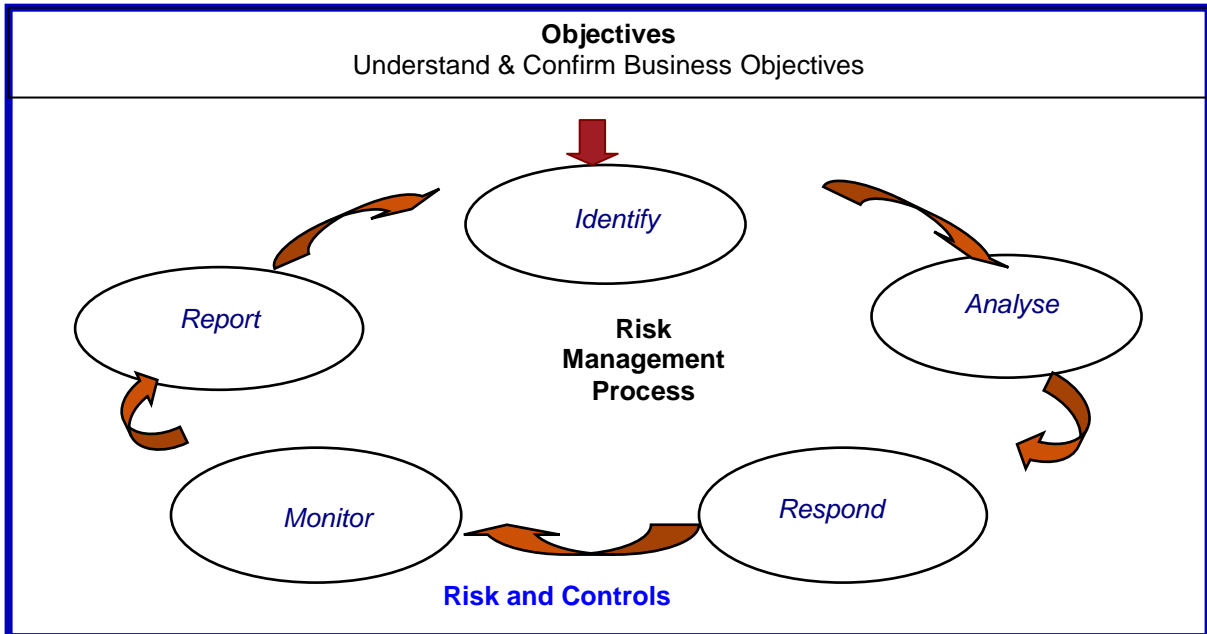
This policy is applicable to all the employees of the Greater Tubatse Municipality.

5. OBJECTIVES

- To confirm and communicate the GTM's commitment to risk management and to assist in achieving its strategic and operational goals and objectives.
- To formalize and communicate a consistent approach to managing risk for all the GTM activities and establish a reporting protocol.
- To ensure that all significant risks to the Municipality are identified, assessed and where necessary treated and reported to the Council members in a timely manner through its Audit and Risk Management Committee.
- To assign accountability to all the GTM employees for the management of risks within their areas of control
- To ensure a commitment to all the GTM employees that risk management is a core management responsibility.

6. THE RISK MANAGEMENT PROCESS

Risk Management is a comprehensive, systematic approach for helping all Institutions, regardless of size or mission, to identify events, and measure, prioritise and respond to the risks challenging its most critical objectives and related projects, initiatives and day-to-day operating practices.



Risk management can be divided into five phases:

- **Identify the risk management process:** This would include setting out risk management processes, incorporating the risk philosophy, strategy and culture, as well as the organisational structure of the process.
- **Risk analysis:** This entails identifying events or factors having an influence on strategy and objectives, and assessing the risk in terms of likeliness and impact thereof.
- **Risk response:** For every category of risk there is a response. This phase sets about identifying the possible response, analysing the cost versus benefit, and actioning the appropriate response.
- **Risk monitoring:** The risk profile and risk response plans must be continuously monitored and reviewed to provide assurance that the risks are being managed as expected, the risk response plans remain relevant, and the risk profile anticipates and reflects changed circumstances and new exposures.
- **Risk reporting:** This entails formulating a reporting structure to ensure that risk response gaps are addressed and risk responses are operating effectively under changing conditions.

7. RESPONSIBILITIES AND ACCOUNTABILITIES

COUNCIL

The Council is accountable to the Legislature \ Parliament in terms of the achievement of the goals and objective of the Municipality. In this context the Council should take an interest in Enterprise Risk Management (ERM) to the extent necessary to obtain comfort that properly established and functioning system of risk management are in place to protect the Municipality.

ACCOUNTING OFFICER / MUNICIPAL MANAGER

The Accounting Officer is ultimately responsible for risk management within the Municipality. The Accounting Officer support the risk management policy and strategy for the Municipality and provides leadership and guidance for their implementation. The Accounting Officer is accountable to the Council regarding the effectiveness of the risk management process.

SENIOR MANAGERS (DIRECTORS AND MANAGERS)

Management owns the risks, thus taking ownership for management of institutional risk management and are accountable to the Accounting Officer to integrate the principles of risk management into their daily routines to enhance the achievement of their service delivery objectives

SENIOR RISK OFFICER (SRO)

The SRO provides specialist expertise in providing a comprehensive support service to ensure a systematic, uniform and effective enterprise risk management. The SRO plays a vital communication link amongst operational level management, senior management, risk management committee and audit committee. The SRO is thus the custodian of the ERM strategy, the co-ordinator of the risk management throughout the Municipality and the advisor on all risk management matters.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee is responsible for oversight of the quality, integrity and reliability of the institution's risk management processes and risk responses. An important part of the Committee's mandate is to provide recommendation to the Accounting Officer to continuously improve the management of specific risks as well as the overall process of risk management. A full description of the composition and responsibilities of the Risk Management Committee will be incorporated in its Terms of Reference (TOR).

INTERNAL AUDIT

Internal Auditors are responsible for providing independent assurance on the effectiveness of risk management in the Municipality. This involves providing assurance that all material risks have been identified and assessed and that control systems implemented to treat such risks are both adequate and effective.

AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Accounting Officer in addressing its oversight requirement of risk management and evaluating and monitoring the institution's performance with regards to risk management.

AUDITOR GENERAL

The Auditor-General is required to highlight weaknesses or deficiencies in the performance reporting of the municipality. In providing an opinion on compliance with legislation, the Auditor General will provide independent assurance on the effectiveness of the risk management activities of the Municipality.

8. ESTABLISHMENT OF THE ONGOING RISK MANAGEMENT PROCESS

Whilst everyone in the Municipality is responsible for managing risks in his or her individual part of the operations, the policy, design and framework for risk management will be driven by the Accounting Officer and managed by a Risk Management Committee.

The following role players involved in the implementation of risk management framework will have representatives at all levels of the Municipality, including:

- The Council

- The Accounting Officer;
- Risk Management Committee
- Risk Officers
- Senior managers;
- Operating staff;
- Audit Committee and
- Internal Audit.

9. EFFECTIVE COMMUNICATION AND TRAINING

A communication and training strategy is important for ensuring that all personnel embrace the risk management concept and that it becomes an integral part of the GTM's culture by:

- Introducing the concept of risk management and the municipal risk strategy;
- Educating management and employees in risk management policies and practices;
- Communicating risk assessments and risk responses to responsible officers;
- Facilitating improvement of and enhancements to the risk management plan;
- Monitoring risk management;
- Managing issues that arise; and
- Assigning risks to risk owners that are recorded in a risk register.

10. REINFORCEMENT OF THE RISK MANAGEMENT PROCESS THROUGH HUMAN RESOURCE MECHANISMS

The Greater Tubatse Municipality will take into account the changing risk environment by ensuring that All Managers are appraised of their roles and responsibilities regarding risk management. The induction programme for new staff members should include, inter alia, a component on the GTM's risk management. They should also understand how the risk management process is entrenched in the various policies and procedures, the impact this might have on decision making.

14. MONITORING

14.1 Monitoring Risks

The risk profile of every programme is dynamic and therefore subject to continuous change with the ever-present chance of a risk occurring. To manage this change, the following process of scheduled maintenance has been adopted to update and maintain the Risk register.

14.1.1 Immediate Reporting

Escalation of risks which have substantial impact to the Programme, and meet determined escalations tolerance levels will be reported to the relevant Committee through the Risk Management Officers

The Risk Management Committee will report its collective findings to the Accounting Officer and Audit Committee.

14.1.2 Quarterly Reporting

The Programme/ Unit Manager from each programme/Unit will review the status of risks and outstanding treatment actions with key staff in their respective Business Unit. Any new or changed risks will be identified, assessed and reported to the Risk Management Committee (RMC). The Risk Champion will work closely and assist the Unit Manager who in turn will provide a report on a quarterly basis to the Risk Management Committee on the status of the current risk register and risk treatment plans implemented. Particular emphasis is to be given to high and medium risk issues and any respective corrective actions (treatment plans) implemented to minimise the risks identified to an acceptable level.

The Risk Management Committee will report its collective findings to the Accounting Officer and Audit Committee.

14.1.3 Annual Reporting

Risk Management process will be reviewed by Internal Audit for efficiency and effectiveness. The context of the Municipal risk register and implementation plan will be subject to annual audit by Internal Audit unit and reported to the Accounting Officer, Risk Management Committee and Audit Committee. A statement of the Accounting Officer on the effectiveness of risk management process will be published on Municipal's annual report on yearly basis.

15. REPORTING REQUIREMENTS AND ASSURANCE

Compliance with the principles of Risk Management will be reported to the following relevant structures.

- Risk Management Committee
- Council
- COGHSTA
- Municipal Manager
- Audit Committee
- Provincial Treasury.

16. ACCOUNTABILITY

- The implementation of this policy is the responsibility of the Municipal Manager through the Risk Management Committee.
- Non compliance with risk management policy constitutes a misconduct, which shall be dealt with in terms of the GTM's disciplinary code of conduct. Deviations from this policy and strategy are not permitted unless authorised by the Municipal Manager.
- Material and significant deviations shall be reported to the Risk Management Committee and Audit Committee, latest at the meeting immediately following such deviations.

GLOSSARY OF TERMS

17.1 Risk

Risks are defined as uncertain future events that could influence the achievement of the GTM objectives, including strategic, operational, financial and compliance objectives.

17.2 Risk appetite

Risk appetite is a measure of just how much risk the Municipality is willing to take as it pursues its goals. It defines the boundary of acceptable risks.

17.3 Risk culture

A corporate culture that encompasses the municipal's awareness of risk exposures, and its appetite and tolerance for risk in its daily operating activities and decision-making processes.

17.4 Risk tolerance

Risk tolerance defines the municipal's sensitivity to a risk exposure. It represents the threshold of risk that it considers acceptable, based on the capability to manage the identified risks.

17.5 RISK REGISTER

A risk register is a document whether hard copy or electronic database record of all risks identified as part of risk assessment (also known as risk profile.)

17.6 Risk Treatment Plan

Risk treatment means the treatment process of selection and implementation of measures to modify risk.

17.7 Fraud Prevention Plan

Fraud Prevention plan is an (anti-corruption strategy) guiding the Municipality on how to prevent, detect, investigate and resolve incidents of fraud and corruption.

17.8 Fraud Policy and Response Plan

This is a document reinforcing the requirement for all staff and others to refrain from corrupt conduct and fraudulent activities and encourage the reporting of any instance of fraud or corrupt conduct. It further ensures that all suspected fraudulent and corrupt activity is dealt with appropriately.

17.9 Audit Committee

This is a committee responsible for assisting the Municipality in fulfilling its oversight responsibilities with regard to Risk Management.

17.10 Risk Management Committee

This a committee established to oversee the development and implementation and monitoring of the GTM Risk management policy, framework and related processes.

17.11 Risk Philosophy

The philosophy is the Municipal's belief about risk and how it chooses to conduct its activities and deal with risks. It reflects the value the Municipality seeks from risk management and influences how risk management will be applied.

17.12 Risk Maturity Model

A tool to help the Municipality evaluates the risk management program and takes it to the next level. It provides guidelines and best practices for developing and maintaining effective risk programs.

17.13 Risk Assessment

An overall process of risk analysis and evaluation. It also involves assessing the likelihood and impact of identified risks.

17.14 Stakeholders

Refers to the community/taxpayers /and or the public at large.

17.15 Risk Management Strategy

A strategy guiding the Municipality through implementation and monitoring of risk management process.

17.16 *Risk Management Plan*

A document that- contains all the information about the risks, processes, resources and techniques that are available and to be utilized in conducting risk management activities.