



Risk Management Policy 2017/18

Contents

1.	Introduction	2
2.	Purpose and scope	2
3.	Objective of the risk policy	3
4.	Definitions	3
5.	Approach to Risk Management:	4
6.	Accountability for Risk Management	4
7.	Roles and Responsibilities	5
8.	Embedding risk management	6
9.	Risk Management Reports	7
	9.1. Layout of the Risk Management Report	7
	9.2. Timing:	7
10.	Council's annual review of effectiveness	8
11.	Policy Review:	8

1. Introduction

The Kgatelopele Municipality hereby commits itself to an integrated process of enterprise-wide risk management that is aligned to the **King IV** principles of good corporate governance, **PUBLIC SECTOR RISK MANAGEMENT FRAMEWORK, PUBLISHED 01 APRIL 2010** and as supported by the **MUNICIPAL FINANCE MANAGEMENT ACT (MFMA)** and all other applicable laws and regulations.

The Municipality recognizes risk management as an integral part of responsible management within the organization that must be implemented in an integrated manner within all departments, operations and processes with the overall objective of reducing risk, as far as reasonably practical.

The fulfillment of its mission of providing an integrated municipal governance system for improved quality of life for its communities.

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 minimizing 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 conformance to the stakeholders expectations; and
- ✓ Maintaining an environment which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

2. Purpose and scope

- This policy applies to all employees of the Kgatelopele Municipality (including employees who are employed on a fixed- term contract, interns and learners).
- This risk management policy (the policy) forms part of the Kgatelopele Municipality internal control and governance arrangements.
- This risk management policy is aimed at guiding Kgatelopele Municipality on how to manage its exposure to risks.
- The policy aims to provide reasonable assurance that the risks that threaten the achievement of the Municipality objectives are managed effectively.
- The policy promotes adoption of sound risk management practices within the Kgatelopele Municipality.

- The policy explains the Kgatelopele Municipality underlying approach to risk management. It gives key aspects of the risk management process, and identifies the main reporting procedures.

3. Objective of the risk policy

The key objectives of this risk management policy are:

- To guide the establishment of an enterprise wide risk management system and processes within the Municipality
- To guide the establishment of appropriate institutional arrangements to support effective implementation of the Municipality's risk management system
- To promote a uniform risk management approach within the Municipality
- To promote compliance with all relevant Local Government legislation, regulations, norms and standards
- To promote awareness of risk management functions throughout the Municipality
- To facilitate monitoring and evaluation of risk management practices within the Municipality.
- To promote Risk management activities alignment to the integrated development plan projects, plans, objectives and priorities to encompass all strategic and operational risks that may prevent the municipality from fulfilling its objectives.

4. Definitions

For the purpose of this policy, the following words will be defined as follows:

Risk Management	Risk Management can be defined as the identification and evaluation of actual and potential risk areas as they pertain to the municipality as a whole, followed by a process of either termination, transfer, acceptance (tolerance) or mitigation of each risk.
Risk	A risk is something which could: Have an impact by not taking opportunities or not capitalizing on corporate strengths, Prevent, influence the achievement of the set objectives, Cause financial disadvantage, i.e. additional costs or loss of money or assets, Or Result in damage to or loss of an opportunity to enhance the municipality's reputation.
Corporate Risk	Corporate Risk is a significant risk requiring reference to and monitoring by senior management, i.e. those risks assessed as having a high impact on the business of the municipality and a high likelihood of occurring.
Operational Risk	Operational Risk is any less significant risk requiring resolution elsewhere in the organization, i.e. risks with a medium or low impact and likelihood which are managed by Departments.

5. Approach to Risk Management:

An entity- wide approach to risk management will be adopted by the municipality meaning that every key risk in each part of the municipality will be included in a structured and systematic process of risk management. The following key principles outline the Kgatelopele Municipalities approach to risk management:

- The municipality will periodically identify and assess its risks and closely monitor the implementation of interventions aimed at reducing the potential negative impacts of risks guided by the Public Sector Risk Management Framework.
- Awareness and understanding of the Enterprise risk management process will be established at all of the appropriate levels of the municipality, with the aim of establishing a culture of risk management across the municipality.
- Risk Management processes will become embedded into the Municipality's systems and processes, ensuring that its responses to risk remain current and dynamic.
- All risk management efforts will be focused on supporting the Municipality's strategic objectives and ensure compliance with relevant legislation, while fulfilling the expectations of employees, communities and other stakeholders in terms of corporate governance

6. Accountability for Risk Management

The detailed line of accountability for risk management is fully aligned with the Municipality's management structure. Accordingly, the approvals, responsibilities and accountabilities applicable to the identification, evaluation/analysis, treatment, and results and reporting of the Municipality's risks are attributed to the Accounting Officer and the senior management

The Accounting Officer is responsible for ultimate sign off of all risk information to the Council and review prior to any sign-off.

7. Roles and Responsibilities

Municipal Manager

- The Municipal Manager as the Accounting Officer, supported by the Heads of Departments, has overall accountability with regards to risk management within the Municipality.

Risk Management Committee

- The Risk Management Committee has overall responsibility for overseeing risk management processes within the Municipality.

Heads of Department

Key roles of Heads of Institutions are to:

- Implement policies on risk management and internal control.
- Identify and evaluate the fundamental risks faced by the institution and therefore the Kgatelopele Municipalities for consideration by the APRC, as and when necessary.
- Provide adequate information in a timely manner to the APRC, when required, on the status of risks and controls.
- Assist the APRC and internal auditors to undertake an annual review of risk management and the effectiveness of the system of internal control, where appropriate.

Risk Management Champions

- Each department shall appoint a Risk Management Champion that will be responsible for coordinating the risk management initiatives within their respective departments.

Audit Committee

- The Audit Committee is responsible for providing the Municipal Manager with independent counsel, advice and direction in respect of risk management. The Audit Committee provides an independent and objective view of the institution's risks and effectiveness of the risk management processes.

Internal Audit

- Internal Audit is accountable to the Municipal Manager and the Audit Committee for providing independent assurance regarding the efficiency of the risk management activities of the institution.
- The internal audit unit of a municipality or municipal entity must prepare a risk based audit plan and an internal audit program for each financial year

Chief Risk Officer (“CRO”)

- The CRO is the custodian of the ERM framework, the co-coordinator of the risk management process throughout the institution and the institutional advisor on all risk management matters.

Other Officials

- Other officials and personnel are accountable to line management to integrate the principles of risk management into their daily routines to enhance the achievement of their functional objectives.

8. Embedding risk management

The system of internal control incorporates risk management. It encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Kgatelopele Municipality to respond to a variety of risks. These elements include:

Policies and procedures

Attached to fundamental risks are a series of policies that underpin the internal control process. The policies are set by Council. Written procedures support the policies where appropriate.

Business planning and budgeting

The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly. Risk management is built into this process.

High level risk framework (fundamental risks only)

This framework is compiled by the Risk Steering Committee and helps to identify, assess, and monitor risks significant to the Kgatelopele Municipality. The risk register is revised formally monthly but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

Audit Committee

The Audit Committee reports to Council on internal controls and alerts Council on any emerging issues. In addition, the Audit Committee oversees internal audit, external audit and management as required in its review of internal controls. The Audit Committee should provide advice to the Council on the effectiveness of the APRC on the internal control system, including the Kgatelopele Municipalities system for the management of risk.

Internal audit program

Internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the Kgatelopele Municipality. The internal audit strategy will be developed around the Kgatelopele Municipality's objectives and use the assessment of the fundamental risks. The work program should include an assessment of the effectiveness of the risk management process.

External audit

External audit informs the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit.

Third party reports

From time to time, the use of external consultants may be appropriate in areas such as health and safety, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

9. Risk Management Reports

8.1. Layout of the Risk management report

The reports should at least contain the following:

Introduction

Purpose

Scope

Objective

Risk management administration/operations, which include:

- ✓ Change in operations
- ✓ Internal Audit findings that indicate controls are less effective than anticipated
- ✓ Implementation of risk treatment actions
- ✓ Change in the external environment

National Treasury incident reporting template

8.2. Timing:

A formal report must be given to the municipal manager **within 15 days** after each Quarter. Management must put in place controls to prevent/mitigate the occurrence of potential risks and report **within 90 days** (Once per Quarter) on progress made to mitigate said risk, pertaining to their unit/department, to the risk management unit.

Risk unit shall present an overall/summary report to the risk committee **after each quarter** on progress made to mitigate risks.

Where a critical aspect of high risks is not being monitored or reported on by management, the risk unit will immediately report on the matter to the municipal manager and the chairman and risk committee members.

10. Council's annual review of effectiveness

The Council, advised by the APRC, will undertake a bi-annual review to consider:

- whether risk management continues to be linked to the achievement of the Kgatelopele Municipality 's objectives;
- the appropriate risk appetite or level of exposure for the Kgatelopele Municipality as a whole;
- whether risk review procedures cover fundamental reputational, governance, staff, research, teaching, operational, compliance, customer experience, estates, financial and other risks to achieving the Kgatelopele Municipality 's objectives;
- whether risk assessment and risk-based internal control are embedded in ongoing operations and form part of its culture;
- changes in the nature and extent of fundamental risks and the Kgatelopele Municipality 's ability to respond to changes in its internal and external environment since the last assessment;
- the scope and quality of management's on-going process of monitoring the system of internal control including such elements as the effectiveness of internal audit and other assurance functions;
- the extent and frequency of reports on internal control to Council and whether this is sufficient for Council to build up a cumulative assessment of the state of control and effectiveness of risk management;
- the incidence of any fundamental control failings or weaknesses identified at any point within the year and the impact that they have had or could have on financial results;
- the effectiveness of the Kgatelopele Municipality 's public reporting processes;
- The effectiveness of the overall approach and policy to risk management and whether changes or improvements to processes and procedures are necessary.

11. Policy Review:

The risk management policy shall be reviewed annually to reflect the prevailing status of risk management within the Municipality.

No amendments may be made to any section of this policy without such amendments first being approved and signed by the Municipal Manager.

APPROVAL OF THE RISK MANAGEMENT POLICY FOR 2017/2018

We the Risk Management Committee (RMC) have carefully assessed the Risk Management Policy for the Kgatelopele Municipality. This document has been completed in accordance with the requirements of the Municipality's vision and mission statement.

We fully accept the changes as needed improvements and authorize initiation of work to proceed. Based on our authority and judgment, the continued operation of this system is recommended to council for approval.

APRC Chairperson

Mr J van Tonder


..... 11/10/2017