



**XHARIEP DISTRICT MUNICIPALITY
RISK MANAGEMENT POLICY**

2018/19

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1. INTRODUCTION

The risk management policy is a brief statement about the institution's commitment to risk management. It further communicates the Municipality's risk management philosophy in the context of how risk management is expected to support the Municipality in achieving its objectives.

It is advisable to publish and circulate the risk management policy to existing and new staff as part of the risk awareness strategy.

2. POLICY INTENT

The aim of this policy is to ensure that the Municipality makes informed decisions with regard to the activities that it undertakes by appropriately considering both risks and opportunities.

The policy outlines the outcomes and compliance obligations regarding the Risk Management for all employees

3. COMMITMENT STATEMENTS

The Xhariep District Municipality is committed to the effective risk management and treatment of risk in order to achieve the Municipality's objectives.

Management of risk is the responsibility of all Executive, Senior Management and employees and Section 62 (1) (c) (i) of the Municipal Finance Management Act requires that:

"The Municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."

The municipality will ensure:

- Risk Management is an integral part of the organisation's key business planning, resourcing and decision making processes;
- There is a consistent and systematic approach to the management of risks across the institution that Risk Management Strategy is followed and complied with;
- Staff have the necessary training to allow them to participate in the risk management activities
- That the municipality is honest in relation to the risks and challenges facing the institution.
- Employees become aware of the risks associated with their area of work and must manage these risks to be within tolerance level by using risk management response strategies outlined in the Municipality's risk management strategy.

4. POLICY OBJECTIVES

- 4.1 To explain Municipality's approach to risk management and ensure that it has a consistent and effective approach to risk management;
- 4.2 To ensure that the Municipality's culture and processes encourage the identification assessment and treatment of risks that may affect its ability to achieve its objectives;
- 4.3 To explain key aspects of risk management;
- 4.4 To clearly indicate the risk management reporting procedures;
- 4.5 To hold executive, management and officials accountable for the implementation of risk management on their area of responsibility;
- 4.6 To create an environment where all the Municipality's employees take responsibility for managing risk;
- 4.7 To create a more risk aware organizational culture through enhanced communication and reporting of risk;
- 4.8 To improve corporate governance and compliance with relevant legislation;

The implementation of this policy will provide the Municipality with a basis and a framework for:

- more confident and rigorous decision-making and planning;
- better identification of opportunities and threats;
- pro-active rather re-active management;
- more effective allocation and use of resources;
- improved management and reduction in loss and cost of risk;
- improved stakeholder confidence and trust;
- a clear understanding by all staff of their roles, responsibilities and authorities for managing risk

5. PRINCIPLES

5.1 Risk management is recognised as an integral part of responsible management and therefore, Municipality adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Municipality's Risk Management Strategy. It is expected that all components' operations and processes will be subject to the risk management strategy. It is the intention that these components work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.

5.2 Risk management must be embedded in the strategic planning of the Municipality

5.3 As risk management is necessary for planning and decision making. Risk management must be embedded in all the decision making processes. Before decision is taken, the risks it poses must be identified.

5.4 The Municipality's risk tolerance level must be determined by top management and is outlined in the Risk Management Strategy.

5.5 All personnel must be willing and able to take calculated risks to achieve their own and the Municipality's objectives and to benefit the Municipality. The associated risks of proposed actions and decisions must be properly identified, evaluated and managed to ensure that exposures are acceptable.

5.6 The Municipality will conduct a risk assessment on an annual basis with a review or re-assessment of the risks conducted on quarterly basis to ensure maximum mitigation thereof.

5.7 Risks will be owned and managed by the Units where the risk resides.

5.8 This policy is subject to an annual review in line with risk management framework.

6. LEGISLATION

The Accounting Officer must commit the Municipality to a process of risk management that is aligned to the principles of good corporate governance, as supported:

- Municipal Finance Management Act (MFMA) 56 OF 2003;
- Municipal Systems Act (MSA) 117 OF 1998;
- Municipal Structures Act (MSA) 32 OF 2000; and
- Treasury Regulations 3.2.1.

7. OUTCOME

The required outcomes of this policy are as follows:

- The municipality has a credible Risk Register (Strategic, Operational, Fraud and Projects) with associated mitigating strategies
- Executive leadership and Senior Management undertake a formal review and analysis of strategic risks on an annual basis;
- Senior Managers, Managers and other relevant staff undertake a formal review and analysis of Operational, Fraud and Projects risks bi-annual
- Management review the progress of risk mitigating strategies quarterly through the use of Risk Management Committee;
- Post-events analysis is undertaken to capture 'lessons learned' from significant risk events.

8. REPORTING

8.1 REPORTING BY THE CHIEF RISK OFFICER

8.1.1 The Risk Owners must submit Quarterly reports on risk management activities in their units to the Chief Risk Officer.

8.1.2 The Risk Management Officer will submit a quarterly report to the Risk Management Committee and Audit Committee on risk management activities not limited to the following:

- What has been done to date to implement the control measures in different units,
- The effectiveness of the control measure in addressing / eliminating / managing the identified risks.
- Progress on the Risk Management Implementation Plan.
- Any new potential risks that may arise in different units.
- To what extent a culture of risk management has been implemented in the Municipality.

8.1.3 Report administratively to Accounting Officer and functionally to Risk Management Committee.

8.2 REPORTING BY THE RISK MANAGEMENT COMMITTEE

8.2.1 The Risk Management Committee will submit a quarterly report to the Accounting Officer and the Audit Committee that will outline the work performed by the committee in that specific quarter and must consider the responsibilities outlined in the risk management committee charter.

9. MONITORING

9.1 The Risk Management Officer must monitor the effectiveness of risk mitigating strategies on quarterly basis;

9.2 The Risk Management Committee must monitor implementation and effectiveness of the risk management function quarterly.

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

10. POLICY ADMINISTRATION

10.1 The effectiveness of the policy will be reviewed annually.

10.2 The amendments will be send to the Risk Management Committee for recommendation and to Accounting Officer for endorsement.