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1. INTRODUCTION

The Risk Management policy indicates the Municipality's commitment to risk management. It further communicates the Municipality's risk management philosophy in support of the Municipality in achieving its objectives.

“RISK MANAGEMENT”

“Risk management is a systematic process to identify, evaluate, and address risks on a continuous basis before such risks can impact negatively on the institution's service delivery capacity”.

“RISK”

“Risk is any uncertain future events that could influence the achievement of the objectives of an organization. Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence”.

2. COMMITMENT STATEMENTS

2.1 The Municipal Manager has committed Xhariep District Municipality to implement and maintain effective, efficient and transparent systems of finance, risk management and internal controls that is aligned to the principles of good corporate governance, as supported by section 62(1)(c)(i) of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003.

The municipality will ensure that:

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

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

- a) Municipal Finance Management Act (MFMA) 56 OF 2003;
- b) Municipal Systems Act (MSA) 117 OF 1998;
- c) Municipal Structures Act (MSA) 32 OF 2000; and
- d) Treasury Regulations 3.2.1.
- e) Public Sector Risk Management Framework

3. POLICY OBJECTIVES

To explain Municipality's approach to risk management and ensure that it has a consistent and effective approach to risk management. Ensure that a consistent approach to the identification, assessment and management of risks is embedded throughout the Municipality.

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;

To explain key aspects of risk management;

To clearly indicate the risk management reporting procedures;

To hold executive, management and officials accountable for the implementation of risk management on their area of responsibility;

To create an environment where all the Municipality's employees take responsibility for managing risk;

To create a more risk aware organizational culture through enhanced communication and reporting of risk;

To improve corporate governance and compliance with relevant legislation;

4. APPLICATION / IMPLEMENTATION

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

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

5. RISK MANAGEMENT APPROACH

- a) Risk management is recognised as an integral part of responsible management. Therefore, the 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.

- b) Risk management must be embedded in the strategic planning of the Municipality
- c) As risk management is necessary for planning and decision making. Therefore, risk management must be embedded in all the decision making processes.
- d) The Municipality's risk tolerance level must be determined by top management and is outlined in the Risk Management Strategy.
- e) 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.
- f) 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.
- g) Risks will be owned and managed by the Units Directors where the risk resides.
- h) This policy is subject to an annual review in line with risk management framework or any other new applicable regulations and if need arise.

6. OUTCOMES

The required outcomes of this policy are as follows:

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

7. ROLES AND RESPONSIBILITIES

The following roles and responsibilities exist for the implementation of effective risk management:

MANAGEMENT:

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

The Municipal Manager is accountable for the Municipality's overall governance of risk.

High level responsibilities of Management should include:

- a) Executing their responsibilities as set out in the risk management strategy;
- b) Devoting personal attention to overseeing the management of key risks within their area of responsibility;
- c) Maintaining the proper functioning of the control environment within their area of responsibility;
- d) Monitoring risk management within their area of responsibility; and
- e) Holding officials accountable for their specific risk management responsibilities

CHIEF RISK OFFICER

Report administratively to Municipal Manager and functionally to the Risk Management Committee.

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

- a) Progress on the implementation of control system in place for risk mitigation.
- b) Effectiveness of the control measure in addressing / eliminating / managing the identified risks.
- c) Progress on the Risk Management Implementation Plan.
- d) Recording of any new potential risks that may arise in different units.
- e) Extent to which a culture of risk management has been implemented in the Municipality.

RISK CHAMPIONS

The Risk Champion is a person with the skills, knowledge, leadership qualities and power of office required to champion a particular aspect of risk management.

In order to fulfil his/her function, the Risk Champion should possess:

- a) The Risk Champion should possess a good understanding of risk management concepts, principles and processes; good analytical skills; expert power;
- b) The Risk Champion should not assume the role of the Risk Owner but should assist the Risk Owner to resolve problems.
- c) The Risk Champion should also add value to the risk management process by providing guidance and support to manage "problematic" risks and risks of a transversal nature that require a multiple participant approach.
- d) Risk Champion's primary responsibility is to champion a particular aspect of risk management including instances where the risk management efforts are being hampered.

8. MONITORING

- a) The Chief Risk Officer must monitor the effectiveness of risk mitigating strategies on quarterly basis;

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

9. COMMUNICATION OF THE POLICY

The policy will be communicated throughout the municipality by means of awareness sessions or emails. It will also be posted on the Municipal intranet and website for ease of access by users.

10. POLICY REVIEW AND ADOPTION

- a) The policy will be reviewed annually or if the need arises.
- b) The amendments will be send to the Municipal Manager, Risk Management and Audit and Performance Committees and to Council for approval.