

# **GREATER GIYANI MUNICIPALITY**



## **RISK MANAGEMENT POLICY**

**Council Resolution No: CR112 – 25/04/17 SC**


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Explanation of Concepts, terminology and acronyms

1. Explanation of Concepts	
GGM AC RMC EM MM MayCo MFMA MMCs ICT TR SED	Greater Giyani Municipality Audit Committee Risk Management Committee Executive Mayor Municipal Manager Mayoral Committee Municipal Finance Management Act Members of the Mayoral Committee Information and Communication Technology Treasury Regulations Strategic Executive Director

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## **2. INTRODUCTION**

- a. Risk is inherent in the nature of our activities. The identification and management of risk is central to achieving the Municipality's objectives.
- b. Risk may manifest itself in many different forms and has the potential to impact negatively on the health and safety, environment, community, reputation, regulatory, operational, and financial performance of the Municipality and, thereby, the achievement of the Corporate Objective. By understanding and managing risk, greater certainty is provided that the Municipality will achieve its objectives.
- c. Successful risk management can be a source of competitive advantage within the environment in which the Municipality operates.
- d. Risks faced by the Municipality shall be managed on an enterprise-wide basis. The Municipality will use its risk management capabilities to maximise value from its assets, resources, projects and other opportunities.
- e. Risk Management will be embedded into critical business activities, functions and processes. Risk understanding and tolerance for risk will be key considerations in decision making. Risk issues will be identified, analysed and ranked in a consistent manner using common systems and methodologies.
- f. Controls will be designed and implemented to reasonably assure the achievement of Strategic and Operational objectives. The effectiveness of these controls will be systematically reviewed and, where necessary, improved.
- g. The implementation of Risk management processes will ensure that measures are put in place on a proactive and timely basis to minimise the effect of actual occurrences which catastrophic, tragic and very harmful to the operations of the Municipality, to extent that it may lead to probable termination or suspension of services to clients, and course harm to service delivery. These oversight activities will provide assurance as to the effectiveness of risk management processes to Top Management, the MAYORAL Committee, Risk Management Committee and Audit Committee.

## **3. BACKGROUND**

- a. The need for risk management in the public sector and municipalities has been the subject of increased attention in recent years. Particular reference is found in the Municipal Public

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Finance Management Act Section 62 (1) (C) (i) which requires the accounting officer of a Municipality to ensure the maintenance of effective, efficient and transparent systems of financial, risk management and internal control systems.

- b. Also, the Treasury Regulations (Section 3.2.1) stipulate that 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 Greater Giyani Municipality.


#### **4. POLICY STATEMENT**

**a. Recognition of the need for risk management:**

The Greater Giyani Municipality recognises the need for risk management to feature as a consideration in strategic and operational planning, day-to-day management and decision making at all levels and locations in the organisation.

The Council and its administration have adopted an Integrated Risk Management Strategy to identify the wide range of risks to which the municipality is exposed. We are committed to the effective management of risk in order to achieve our goals and objectives, as well as converting risks into opportunities that create value for our stakeholders. It is therefore a strategic objective to mitigate all risks that will prevent the municipality from meeting its strategic objectives, most specifically:

- i) Provision of quality basic services and infrastructure.
- ii) Economic growth and development that leads to sustainable job creation.
- iii) Fight poverty and build clean, healthy, safe and sustainable communities.
- iv) Integrated Social Services for empowered and sustainable communities.
- v) Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service.
- vi) Promote sound governance.
- vii) Ensure financial sustainability.
- viii) Optimal institutional transformation to ensure capacity to achieve set objectives.

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**b. A commitment to implement risk management effectively:**

The Greater Giyani municipality is committed to managing and minimising risk by identifying, analysing, evaluating and treating exposures that may impact on the Municipality's ability to achieve its objectives and/or the continued efficiency and effectiveness of its operations. The GGM will incorporate risk management into its institutional planning and decision-making processes. Risk management must also be included as a consideration in operational planning as a delegated line management responsibility. The Greater Giyani's staff must implement risk management according to relevant legislative requirements and appropriate risk management standards.

**c. A commitment to training and knowledge development in the area of risk management:**

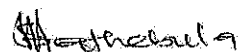
The Greater Giyani municipality is committed to ensuring that all staff, particularly those with management, advisory and decision making responsibilities, obtain a sound understanding of the principles of risk management and the necessary skills to implement risk management effectively.

**d. A commitment to monitor performance and review progress in risk management:**

- i. The Greater Giyani Municipality will regularly monitor and review the progress being made in developing an appropriate culture of risk management and the effective implementation of risk management strategies throughout the organisation as a basis for continuous improvement.

The GGM is committed to a proactive and ongoing risk awareness, assurance and control culture which enables continuous improvement of organisational processes thereby facilitating the achievement of the Municipality's objectives, ensuring readiness for challenges.

- ii. The GGM recognises that the minimum level of risk should be prevalent in order to take advantage of opportunities to ensure that culture, processes and structures are directed towards realising potential opportunities whilst managing adverse consequences. Monitoring both financial and non-financial risks to the Municipality could influence the achievement of the strategic, operational and financial objectives, and enable management to add value to the strategic business planning process. The fundamental aim of the Municipality's risk management policy is to balance risk against benefits, in pursuance of the Municipality's objectives.



**e. Aim**

The MFMA defines the Municipal Manager as the Accounting Officer of the municipality. Section 62 of the MFMA requires the Accounting Officer to take all reasonable steps to ensure that the municipality has and maintain effective, efficient and transparent systems of financial and risk management and internal control and of internal audit as well as effective, efficient and economical use of the resources of the GGM. The purpose of the risk management policy is to enable the municipality to comply with legislation.

The aim of the policy, furthermore, is to provide a risk framework within which the departments and management operate in order to enforce a strong risk management culture throughout the municipality. The policy aims to develop and implement risk management as an integral part of good management practices within the municipality and as an essential component of good corporate governance.

Our aim is continual improvement in our management of risk, enhancing the degree of certainty in achieving our objectives, achieving a fuller understanding of the reward and risk relationship and reducing the likelihood and impact of adverse incidents to acceptable levels.

The policy is based on guidelines from National Treasury, international best risk management practice and COSO is aimed at enhancing value for all stakeholders.

**5. PURPOSE OF THE RISK MANAGEMENT POLICY**

- a. This risk management policy forms part of the Municipality's internal control and corporate governance framework.
- b. The policy explains the Municipality's underlying approach to risk management, documents the roles and responsibilities of the Municipality, Management, Audit Committee, Risk Management and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.
- c. In addition, it describes the processes the Municipality will use to evaluate the effectiveness of the Municipality's internal control processes.
- d. The aim of the policy is not to have risk eliminated completely from the Municipality's activities, but rather to ensure that every effort is made by the Municipality to manage risk in order to maximise potential opportunities and minimise the adverse effects of risk.

The intention of this policy is to provide a consistent approach on how risks are managed, integrated into IDP, Business Plans and reported.

**6. SCOPE OF POLICY APPLICATION**

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This policy applies to all Greater Giyani Municipality Officials, Regions, and contractors rendering services to the Municipality and the business plans. The policy extends to all current and future activities, and new opportunities.

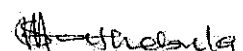
Where necessary, more detailed risk management policies and procedures shall be developed to cover specific areas of the Municipality's operations, such as Financial Management, Information and Communication Technology (ICT), Human Resources, Supply Chain Management and Political Line Function ( Office of the Chief Whip and Speaker ). Where this occurs, such policies and regulations shall comply with the broad directions described in this Risk Management Policy.

**7. RISK MANAGEMENT DEFINITION**

- a. Risk management is a continuous, proactive and systematic process, effected by a Municipality's Executive Authority, Accounting Officer, management and other personnel, applied in strategic planning and across the GGM, designed to identify potential events that may affect the Municipality, and manage risks to be within its risk tolerance, to provide reasonable assurance regarding the achievement of Municipality objectives.
- b. This is done through systematic application of management policies, procedures and practices to the tasks/activities by establishing the context, identifying, analysing, assessing, treating, monitoring and communicating risks that will direct the Municipality towards the effective and efficient management of potential opportunities and adverse effects.

**8. ENTERPRISE-WIDE RISK MANAGEMENT**

Enterprise-wide risk management is a process, implemented and supported by an organisation's Top Management, management and other personnel applied in strategy setting and across the organisation, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.





## 9. CATEGORIES OF RISKS

### a. Inherent Risks

These are risks that are intrinsic to the organisation's business. For instance, cash is more susceptible to theft than an inventory of cleaning material.

### b. Control Risk

Control risk is the risk that an error, omission, defalcation or irregularity may occur and will not be prevented, or detected timeously by the entity's system of internal controls. There will always be a certain amount of control risk because of the inherent limitations of any internal control structure. An example of an inherent limitation of an internal control structure is that of management override.

### c. Detection Risk

This risk is most relevant to auditors. Detection risk is the risk that an error, omission, defalcation or irregularity may occur but will not be detected by an auditor whilst performing his/her audit procedures. Such a situation may occur because auditors normally do not review all the transactions in a population i.e. a 100% audit is not normally conducted but rather a representative sample of the population of transactions is chosen for audit purposes.

### d. Residual Risk

Residual risks are the risks that are identified after taking into consideration the effect and impact of direct control measures implemented as well as the impact of compensating control measures, relative to a risk identified.

## 10. DRIVERS OF RISK

a. Before risk management solutions can be developed, the current drivers of risk must be identified and then evaluated. Broadly stated, the drivers of risk are the factors that introduce risk into the environment.

b. Beyond the overarching financial risk, are other types of risk. The Municipal risk management process is categorised into three main risk areas:

- i. **Political Risk** is a risk (internal and external) that negatively affects the Greater Giyani and the execution of its mandate.
- ii. **Strategic Risk** is a risk that affects the Municipality's ability to achieve its goals.
- iii. **Operational Risk** is a risk that affects an ongoing management/operating process

c. Once managers identify and assess risks, they need to evaluate and develop methods to minimize these risks. These methods are control activities. Control activities are the structure,

policies, and procedures, which the GGM has established so that identified risks do not prevent it from reaching its objectives.

## **11. RISK DEPENDENCY**

- a. Any organisation, anywhere in the world, largely depends on resources, both external and internal in order to achieve its objectives. The difficulty is that the demands for these resources are expressed in different languages and measured in different currencies, making valid comparisons between these demands almost impossible. These resources are never perfect, issues over availability, quality, and responsiveness, are key reasons why organisations fail to meet their objectives. These resources may be people, projects, processes, plant & equipment, the utilities or third party service providers. Recent history has shown that the failure of any of these resources can have a considerable negative impact on the organisation.
- b. It is only by modelling and understanding dependencies upon these resources that one can create robust strategies to meet the challenges of the future.
- c. To evaluate the risk of a multiple- prospect exploration opportunity, two types of information must be assessed:
  - i. the initial risks of each prospect
  - ii. the dependency of those risks among prospects.

## **12. POLICY PRINCIPLES**

- a. In all Departments (including its Regions), managers will carry out risk assessments at least once every financial year, record the findings and take appropriate management actions in a timely fashion. Risk reviews will specifically address political risk, service delivery risk, financial risk, procurement risk, reputational risk, human resource risk, operational risk, occupational health & safety risk, security risk, legal compliance risk, ICT Risk, training and development risk and contractor and service provider risk.
- b. In particular, the following activities will be undertaken:
  - i. comprehensive risk assessment.
  - ii. integrated contract and risk management processes.
  - iii. regular review and update of risk register.
  - iv. preparation of contingency plans for high risks.
  - v. early identification of emerging risks and initiation of risk reduction or mitigation action.
- c. Where appropriate, managers may need to consider specialist advice for areas such as:
  - i. occupational health and safety.
  - ii. environmental protection.

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- iii. disaster recovery.
- iv. safety-critical systems and operations.
- v. media/public relations.
- vi. Building or construction projects.
- vii. Security.
- viii. Communication, Marketing (Public Diplomacy)

### **13. OBJECTIVES AND RATIONAL FOR RISK MANAGEMENT (POLICY OBJECTIVES)**

**a. The GGM, in its need for risk management, aims to:**

- i. facilitate and review risk management activities across the Municipality through the Risk Management Committee.
- ii. integrate risk management into the management culture of the GGM.
- iii. foster an environment where staff and management assume full responsibility for managing risks.

**b. To secure its commitment to implement risk management effectively, the GGM aims to:**

- i. implement risk management across all aspects of the Municipality in accordance with best practice guidelines.

**c. To secure its commitment to training and knowledge development in the area of risk management, The GGM aims to:**

- i. ensure that performance in risk management is a consideration in the Municipality's performance management systems; and
- ii. ensure that staff and other stakeholders have access to appropriate information, training and other development opportunities in the area of risk management.

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- d. **To secure its commitment to monitoring performance and reviewing progress, The GGM aims to:**
- i. ensure that appropriate monitoring, review and reporting processes are in place in the area of risk management.
- e. **The objectives of risk management are to:**
- i. provide a structured basis for strategic, tactical and operational planning across the GGM;
  - ii. enhance the Municipality's governance and corporate management processes;
  - iii. enable the Municipality to effectively discharge its statutory and legislative financial and operational management responsibilities;
  - iv. provide a practical framework for managers to assess risks inherent in the decisions they take.
  - v. assist and motivate decision makers, at all levels, to make good and proactive management decisions that do not expose the Municipality to unacceptable levels of risk of unfavourable events occurring which adversely impact on the attainment of Municipal goals.
  - vi. encourage and commit decision makers to identify sound business opportunities that will benefit the Municipality without exposing it to unacceptable levels of risk;
  - vii. minimise the risks of not identifying sound business opportunities.
  - viii. protect Municipality from unacceptable costs or losses associated with its operations.
  - ix. safeguard of Municipality's resources – its people, finance, property and reputation.
  - x. assist Municipality in achieving its strategic and operational objectives.
  - xi. create an environment where all staff members assume responsibility for risk management.
  - xii. control and manage Municipal exposure to risk by appropriate risk reduction and mitigation actions.
  - xiii. regularly review exposure to all forms of risk and reduce it as far as reasonably achievable.
  - xiv. apply robust risk management processes as part of a wider management system.
  - xv. educate and train managers in risk management, not only Top Management Members.
  - xvi. regularly review the risks we face as a result of our activities and of the political and economic climate in which we operate.
  - xvii. identify cost effective risk treatment options.
  - xviii. Regular testing of systems, procedures and facilities for effectiveness, efficiency and readiness.

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#### 14. CLASSIFICATION OF RISKS

Classification of risks includes *Inter alia*:

- a. **Political risk** refers to the complications that businesses and governments may face as a result of what are commonly referred to as political decisions or "any political change that alters the expected outcome and value of a given economic action by changing the probability of achieving business objectives. Examples of some of these events include terrorism, riots, coups, civil war, and insurrection

**Political Risks also include the following:**

- o Non communication on political risk to the departments.
- o Not having a clear mandate about the position of the Municipality whilst representing Greater Giyani Municipality in a conference.
- o Improper preparation for community engagements.
- o Policy formulation process.
- o Lengthy decision making process.
- o Inadequate co-ordination of Local Municipality, District Municipality and the Province.
- o Non-provision of feedback on recommendations made.
- o Conditions of war and/ or military activities.

- b. **Financial risk** – The risk that a Municipality or the Region will not have adequate financial resources to meet financial obligations. Some of the financial risks include but not limited to:

- o Revenue Management Risk
- o Management over-rights
- o Different Business Practices in different Regions.
- o Travel Claims Management.
- o Untimely recording of transactions.
- o Inadequate financial guidelines, policies and procedures.

- c. **Procurement risk** - is divided into these main areas:

- i. **Strategic Risk**- long term adverse impacts from poor decision-making or poor implementation.

Strategic risks threaten to damage the reputation integrity of the Municipality, resulting in loss of public confidence, and in extreme cases may result in external interventions.

- ii. **Programme Risk** - failure to comply with procurement legislation, or internal procedures (the procurement practice or contract procedure rules) or the lack of documentation to prove compliance (i.e. a clear audit trail).

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- j. **Human Resource risks** are events that prevent employees from fulfilling their responsibilities and thus keep the business from operating at full efficiency. Human resource risks include but are not limited to:
- i. Staffing/ Rotation.
  - ii. Death
  - iii. Disability (temporary or permanent)
  - iv. Divorce
  - v. Management Error/Incompetence
  - vi. Unexpected Temporary Leave
  - vii. Poor Employee Management Practices
  - viii. Employee Turnover
  - ix. Unfilled posts
  - x. Insufficient staffing levels
  - xi. Organisational structure not informed by organisational functions.
  - xii. Inadequate management of transfers
  - xiii. Lack of capacity to manage careers and specialists
  - xiv. Delays in disciplinary processes.
  - xv. Skills shortage
- k. **ICT Risk** – the risk of loss to GGM through inadequate ICT management and or ICT resources. This is managed by ensuring the Municipality's ICT section is adequately and appropriately resourced. Furthermore, there may be a thorough understanding of the business requirements for developing its systems, there is an understanding of the complexity of the Municipality's systems and that those systems have the ability to meet increasing business requirements. Also, the Municipality may not have adequate Database Management systems to ensure that data stored therein is complete, accuracy and access is controlled to maintain data integrity and protect confidential information.
- l. **Legal risk** is a risk from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations. Legal risk can be a particular problem for organisations which operates across borders.
- m. **Energy risk:** poor or non-existent back-up systems in the event of a power generation disaster at home and abroad or shortage of fuel.
- n. **Security Risk** is the probability of a loss being suffered by the Municipality as a result of Municipality's inability to put sufficient security measures in place to minimise the likelihood of the loss being suffered. E.g. loss of state funds, loss of assets, unauthorised access to information and premises (officials attacked while on the premises etc).
- o. **Water shortage risk:** brought about by a collapse of the reticulation system or the distraction or damage of the water infrastructure or water purification facilities.
- p. **Fire hazard risk:** risk due lightning, arson or installation failure

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- q. **Performance Information Management Risk:** is the risk that the Municipality may not have adequate management systems to indicate how well the Municipality is meeting its aims and objectives. In the absence of these processes, effective management, including planning, budgeting, implementation, monitoring and reporting become difficult.
- r. **Logistics and Transportation Risk:** is the risk that the Municipality may not have adequate resources to respond to its transportation needs which may impact negatively on its ability to meet its objectives.
- s. **Management Risk** is the risk that management will delay in making decision or will fail to implement the decisions made by the Risk Management Committee. Not implementing management decisions or delaying to implement management decisions may result in the non-achievement of objectives, financial loss to the Municipality, waste of resources, etc.
- t. **Trade risk:** is the risk that the Municipality may not be able identify potential trade partners and secure trade agreements which may result in trade barriers (Import duty, Import licenses, Export licenses, Import quotas, Tariffs) being imposed on import and exports between South Africa and foreign countries.
- u. **Poverty Alleviation Risk:** is the risk that the GGM may not have adequate systems, resources (financial and human) to identify and implement programmes that will alleviate poverty in the communities. Also, the Municipality may not have adequate systems to monitor poverty and the poverty alleviation programmes that are in place, to see that the needs of the poor are addressed with urgency the situation demands and to take corrective actions where appropriate.
- v. **Corruption risk:** refers to the offering of an undue benefit to a person in a certain position in order to influence that person to act differently from the norm. It involves the bribing of an official with the intention of obtaining an unjustified or undue return.

Corruption risks areas include, but are not limited to the following:

- The tendering of award of contracts,
- The settlement of contractor's final accounts,
- The purchasing of asset items,
- Travel accommodation and entertainment expenses,
- Inappropriate utilisation of desirable assets such as motor vehicles,
- The appointment and award of external consultants,
- Decisions regarding the outside interest of officers and members,
- Canvassing for staff appointments,
- Petty cash held on business premises,
- Pressure exerted by sellers on officers having purchasing responsibilities,
- The acceptance of hospitality,

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- Misusing/abusing of diplomatic privileges
- w. **Fraud risk:** refers to the risk that an official may unlawfully and intentionally, make a misrepresentation which causes actual prejudice or which is potentially prejudicial.

Frauds that can be manifested are as follows, but are not limited to:

- Theft of funds, supplies, or other assets,
  - Maladministration or financial misconduct in handling or reporting of money, financial transactions or other assets
  - Disclosing confidential or proprietary information to outside parties
  - Irregularly accepting, requesting, offering or giving anything of material value to or from contractors, suppliers, or other persons providing services/goods to the Municipality.
  - Irregular destruction, removal, or abuse of records, furniture and equipment
  - Deliberately omitting or refusing to report or act upon reports of any such irregular or dishonest conduct
  - Stealing cash collections and issuing receipts on pieces of paper or from non-official receipt books
  - Failing to make bank deposits daily or depositing only part of the collections-Generally referred to as "rolling of cash"
  - Cashing of personal cheques from officials monies
- x. **Marketing risk:** refers to the risk that promotional materials may be insufficient or not available leading to Brand SA not being effectively promoted abroad.

## **RISK MANAGEMENT FRAMEWORK**

### **14.1 The Risk Management Approach**

Risk must be monitored at management level as part of the Municipality's good governance and corporate management processes. This process is coordinated and facilitated by the Risk Management Section, and will involve the following key steps in accordance with the approved Enterprise-Wide Risk Management plan of each financial year:

- i. an annual risk identification exercise undertaken by management facilitated by the Risk Management section, which involves assessment of the consequence and likelihood of risk, the development and/or review of individual risk management plans for the risks identified which exceed the Municipality's defined acceptable risks;
- ii. wherever practicable the inclusion of a Risk Assessment for all Municipal activities;
- iii. the incorporation of risk management into Municipality's strategic planning, and operational and resource management planning processes;

- iv. annual review of the risk management activities by the Risk Management Section and the RMC;
- v. at least semi-annually to the Risk Management Committee and quarterly reporting to the Risk Management Section and Audit Committee on actions taken in respect of risk management;
- vi. ensure risk management processes are incorporated into the quality assurance and improvement systems of the Municipality;
- vii. clearly define and document escalation procedures for risk management;
- viii. ensure consistency in approach of responses to the same risk by different Departments within the Municipality;
- ix. test documented risk management procedures at appropriate intervals.
- x. document all risks with a potentially high impact, as assessed on the basis of their likely occurrence or impact;
- xi. identify and regularly measure key risk indicators and take appropriate action to reduce our risk exposure.
- xii. regularly review our key risk controls to ensure that they remain relevant, robust and effective

#### **14.2 Risk Management as a delegated Management responsibility**

Risk management is a delegated management responsibility. It is the responsibility of all managers to continually monitor their areas of responsibility to ensure that risks are identified and managed. Managers shall ensure that a contribution is made to the Municipality's risk management process, on behalf of their areas of responsibility.

The sharing of documented responses to risks and knowledge of risk management principles and procedures will be fostered between line managers to ensure consistency across the Municipality.

#### **14.3 Management of risks associated with new opportunities**

In addition to the risks that already exist, the Municipality is continually exposed to new risks particularly from the introduction of new activities. The new risks shall be incorporated into the initial planning and assessment processes conducted prior to undertaking the activity and, subsequently, into the annual risk management assessment at the appropriate level(s) of activity and management.

#### **14.4 Review**

The Risk Management Committee (RMC) will regularly monitor and review the progress being made in developing an appropriate culture of risk management and the effective implementation of risk management strategies throughout the Municipality.

#### **14.5 Guidance on acceptable risk**

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Through its monitoring, review and reporting functions, Risk Management Committee (RMC) will ensure that the Municipality maintains a consistent approach to its assessment of acceptable risk.

**14.6 Documentation**

Each stage of the risk management process shall be appropriately documented. The extent of documentation required is dependent on the nature of the risk. Documentation will be controlled so as to inform part of the process of identifying auditable activities. The departmental Managers shall be in control and be custodians of the risk management documents (Risk Profile).

**14.7 Compliance**

Each manager must have included in his/her Job Profile and/ or Performance Agreements a responsibility for risk management and their Performance Appraisals must include an appropriate assessment measures thereof.

**14.8 Staff Development**

Management shall ensure that staff members are exposed and trained during the induction programme and other training programmes about enterprise- wide risk management as well as fraud related matters.

**14.9 Risk assessment process will be on the following levels:**

- i. Strategic Risk Assessment: - Identification of risk by SEDs (in accordance with process detailed in the Enterprise-Wide Risk Management Plan).
- ii. Operational Risk Assessment will be conducted by officials lower than SEDs (in accordance with process detailed in the Enterprise-Wide Risk Management Plan).

**14.10 Furthermore, the risk management process, which includes the risk assessments, will be conducted and facilitated for the following:-**

- i. In developing Tender specifications for any tender from the value of R500 000.00 and above.
- ii. Construction and renovation projects from the capital budget, including maintenance projects.
- iii. Building Projects managed by the Department of Public Works.
- iv. In developing any ICT system.

**14.11 GGM Risk Management Structure, reporting lines and roles and responsibilities.**

- i. The diagram below depicts the GGM Risk Management Structure and reporting lines
- ii. Roles and responsibilities have been divided into the following:

**(a) Risk Management Committee**

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- To ensure that the processes for management of risk are effective, efficient and robust
- To report to the RMC on the effectiveness of the system of internal control, including risk management systems.
- To review and approve the processes for risk management across the Municipality as encompassed within the Risk Management Framework.
- To advise the board on the performance of the key processes and on how effectively the principles of good risk management are being embedded across the Municipality.
- To commission and review an annual assessment of the effectiveness of the risk management and internal control framework
- To review the 'Top 10 risks' list and recommend that the RMC considers the list and approves the appropriate action

**(b) Chief Risk Officer**

- Providing the overall leadership, vision, and direction for enterprise risk management
- Establishing an integrated risk management framework for all aspects of risks across the organization
- Developing risk management policies, including the quantification of management's risk appetite through specific risk limits
- Implementing a set of risk metrics and reports, including losses of incidents, key risk exposures and early warning indicators.
- Allocating economic capital to business activities based on risk, and optimizing GGM's risk portfolio through business activities and risk transfer strategies.
- Improving the Municipality's risk management readiness through communication and training programs, risk based performance measurement and incentives, and other change management programs
- Developing the analytical, systems and data management capabilities to support the risk management plan.

**(c) Departmental Risk Officer**

- To ensure that risk management framework is working effectively and that the system of internal control is sound.
- To implement the risk management framework
- To agree on the officer structure for planning and monitoring risks across the Municipality.
- To continue to promote and support risk management throughout the Municipality, providing corporate leadership by driving down the risk management vision through each Department.
- To take a top-down approach focusing on issues of corporate significant rather than a bottom up exercise

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- To mandate internal audit to perform assurance checks on compliance with policy and robustness of risk management

**(d) Regional Risk Officer ( all regions)**

- To ensure that risk has been addressed within the strategic fit and full appraisal stages of project development.
- To confirm that the risk sections of the strategic fit and business case project development forms have been completed adequately
- To ensure that risk management policies and procedures are implemented across their work area, paying attention to cross cutting risks in particular
- To review and approve the risk register/s for their work area/s
- To ensure that risk registers are up to date
- To review Municipal risk registers.
- To advice on controls that would be appropriate to mitigate risk to an acceptable level.

**(e) Risk Champions (in each department)**

- To ensure that risk management processes are understood within the Department.
- To ensure that Department risks are being escalated up the Municipality.
- To prepare the Department risk register on a monthly basis.
- To act as a point of contact for any queries from Department personnel on risk processes.
- To complete the bi-annual risk assessment on Department performance in managing risk.
- To implement the risk management framework within project development
- To work with external partners to ensure that the identified controls in place to mitigate risks are operating effectively.
- To immediately bring to the attention of their line manager any potential adverse changes to the level of project risk.
- To be familiar with and comply with risk management policies and procedures at a project level.
- To assess the effectiveness of risk management and internal control across the business units.
- To perform quarterly reviews of compliance with the risk management framework

## **15. ACCOUNTABILITY AND RESPONSIBILITY FOR RISK MANAGEMENT**

### **15.1 Top Management including Regional Heads**

The role of the Top Management in the Risk Management process is to:

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- i. Provide effective oversight of the strategic and operational functions of the Municipality to ensure that risk is appropriately managed through the establishment of appropriate structures, processes and informed decision making;
- ii. Review and consider, at least semi-annually, the risk exposures that are faced by the Municipality as a whole and ensure that appropriate treatment actions are undertaken;
- iii. Establish appropriate delegations to ensure that the effective management of risk is cascaded through their areas of responsibility.

## **15.2 Risk Management Unit**

The Risk Management Unit has general responsibilities of facilitating the following:

- i. Developing and enhancing processes, methodologies and a common language to identify, assess and manage risks of importance;
- ii. Ensuring that the Municipality's key risk exposures are monitored and reported to management, Audit Committee, the Risk Management Committee (RMC);
- iii. Providing assistance to all departments within the Municipality for their risk management activities;
- iv. Facilitating an improved understanding of risk information in key decision making and governance processes;
- v. Assessment and management of risk:
  - o Developing capabilities within the Municipality for identifying assessing and managing strategic and operational risk,
  - o Advising on the treatment of risk in pursuit of achieving Municipal objectives,
  - o Assisting in the management of risk arising from major projects,
  - o Maintain an oversight on strategic risk.

## **15.3 Chief Audit Executive**

- i. Ensuring that Internal Audit plans are developed in full consideration of the risk profile of the Municipality.
- ii. Conducting reviews of the effectiveness of the risk response strategies and any recommended corrective actions,
- iii. Ensuring that risks identified from the conduct of reviews are incorporated into the development of the Municipal Risk Profile.

## **15.4 Risk Management Committee ( RMC)**

- a. The Municipal Management Committee will act as a Risk Management Committee for the Municipality.
- b. Risk Management will be a standing agenda item in all Top Management meetings.

### **Duties of the Risk Management Committee**

The Risk Management Committee shall:

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- i. Consider and approve GGM Enterprise-Wide Risk Management Plan.
- ii. Monitor on a quarterly basis the implementation of GGM Risk Management Plan.
- iii. Ensure that the Risk Management Strategy is appropriate to the Municipality.
- iv. Ensure that Risk Profile of each Component and Region within the Municipality is prepared.
- v. Risk Assessment workshops are facilitated for the purposes of identifying, analysing and evaluating risks faced by the Municipality.
- vi. Ensure that the Risk Assessment and Risk Profile is completed prior to the end of each financial year.
- vii. Oversee the implementation of the Strategy prior to 3<sup>1st</sup> July of each financial year within the Municipality to ensure that Components identify, analyse and rate risks and furthermore implement the necessary control measures as prescribed by management to respond to risks identified.
- viii. Ensure that all components prepare Control Self-Assessment Schedules/Respond Strategies and monitor and evaluate the risks and control measures contained therein.
- ix. Generally, ensure that Risk Management is efficiently and effectively implemented within the Municipality and is appropriate to Municipal needs.

**15.5 Role of the Risk Management Committee( RMC) in the management of risk**

- a. Set the tone and influence the culture of risk management within the institution. This includes:
  - i. Determining whether the Municipality is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue.
  - ii. Determining the level of risks that are acceptable and those that are not.
  - iii. Setting the standards and expectations of staff with respect to conduct and probity.
- b. Determine the appropriate risk appetite or level of exposure for the Municipality.
- c. Approve major decisions affecting the Municipality's risk profile or exposure.
- d. Monitor the management of fundamental and critical risks to reduce the likelihood of unwanted surprises.
- e. Ensure that every two years (after approval of this policy) an outside service provider or National Treasury reviews the effectiveness of Risk Management and a report is produced and issued to the Audit Committee.
- f. Satisfy itself that the less fundamental and critical risks are being actively managed, with the appropriate controls in place and working effectively.
- g. Annually review the Municipality's approach to risk management and approve changes or improvements to key elements of its processes and procedures.
- h. Keep the Audit Committee informed of the risks which could have the greatest impact on the Municipality's ability to achieve its objectives.

**15.6 Departments, SEDs , ED and Regions**

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All staff member have the responsibility to identify, assess and manage risks relevant to the achievement of their objectives, as part of their everyday duties. They have the responsibility to ensure that they assess and manage their key risks, and where risks are of a wider nature, that these are reported to the Risk Management Unit.

**16. ROLE OF THE AUDIT COMMITTEE IN THE MANAGEMENT OF RISK**

The Audit Committee's role is to advise the GGM management on the effectiveness of risk management within the Municipality. The Committee will undertake this task by:

- i. requiring the Internal Audit to adopt a risk based approach to their work.
- ii. requiring managers to report on risks on a regular basis to the Risk Management Committee.
- iii. requiring management to present annually an analysis on the level of risks at departmental level.
- iv. monitoring the implementation of actions to mitigate those risks which are outside the agreed risk appetite of the Municipality.

**17. CONTROL SELF ASSESSMENT/ RESPOND STRATEGIES**

- a. Control Self-Assessment (CSA)/Respond strategies is a process by which the Departments and Regions within the Municipality, with assistance from Risk Management section, assess the adequacy of their internal controls and identify opportunities for improvement.
- b. The CSA process involves two key components:
  - i. staff members play an active role in assessing their internal controls.
  - ii. staff members are given the tools to conduct self-audits.
- c. The employees performing CSA work are in the functional area being examined rather than upper-level managers. These employees have a wealth of information about internal controls and fraud (if it exists). While Risk Management (or independent) can be involved with CSA initiatives, Risk Management does not "own" the process and do not make the assessments and evaluations. The most common approaches to performing CSA activities are facilitated team meetings and CSA surveys.
- d. Control Self-Assessment is effective in assessing the control environment, business and financial risk, control activities, and control effectiveness. These procedures (internal controls) are designed to provide reasonable assurance regarding the achievement of the Municipality's objectives, and in particular those related to:
  - i. Effectiveness and efficiency of operations.
  - ii. Reliability and accuracy of financial and operating reporting.

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- iii. Compliance with applicable legal requirements, Municipal policies and procedures and community expectations.
- iv. Minimisation of exposure to adverse events.
- v. Economy in the acquisition of resources.
- vi. Efficiency in the utilisation of resources.
- vii. Safeguarding of assets

## **18. RISK REPORTING AND COMMUNICATION**

### **a. Internal Reporting**

Different levels within an organisation need different information from the risk management process.

The Risk Management Committee shall:

- i. know about the most significant risks facing the Municipality.
- ii. ensure appropriate levels of awareness throughout the Municipality.
- iii. know how the Municipality will manage a crisis, shall it occur.
- iv. know the importance of stakeholder confidence in the Municipality.
- v. know how to manage communications with the investment community where applicable
- vi. be assured that the risk management process is working effectively.
- vii. publish a clear risk management policy covering risk management philosophy and responsibilities.

### **b. Departments shall:**

- i. be aware of risks which fall into their area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them.
- ii. have performance indicators which allow them to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention (e.g. forecasts and budgets) have systems which communicate variances in budgets and forecasts at appropriate frequency to allow action to be taken.
- iii. report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

### **c. Individuals shall:**

- i. understand their responsibility for individual risks
- ii. understand how they can enable continuous improvement of risk management response.
- iii. understand that risk management and risk awareness are a key part of the Municipality's culture of governance.
- iv. report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

### **d. External Reporting**

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- i. The Municipality needs to report to its stakeholders on a regular basis setting out its risk management policies and the effectiveness in achieving its objectives. Increasingly stakeholders look to Municipality to provide evidence of effective management of the organisation's non-financial performance in such areas as community affairs, human rights, employment practices, health and safety and the environment.
- ii. Good corporate governance requires that the Municipality adopts a methodical approach to risk management which:
  - o protects the interests of their stakeholders.
  - o ensures that the Risk Management Committee (RMC) discharges its duties to direct strategy, build value and monitor performance of the Municipality.
  - o ensures that management controls are in place and are performing adequately.
- iii. The formal reporting shall address:
  - o the control methods – particularly management responsibilities for risk management.
  - o the processes used to identify risks and how they are addressed by the risk management systems.
  - o the primary control systems in place to manage significant risks.
  - o the monitoring and review system in place.

Any significant deficiencies uncovered by the system, or in the system itself, shall be reported together with the steps taken to deal with them.

## 19. COMPLIANCE

- a. Compliance with this policy is essential in order to ensure that the Municipality's risks are monitored and managed on a continuous basis in order to maximise potential opportunities and minimise the adverse effects of risk and increase the likelihood that the Municipality's strategic and operational objectives will be achieved.
- b. Compliance with this policy will also:
  - i. ensure more effective strategic planning as a result of increased knowledge and understanding of key risk exposures
  - ii. ensure better outcomes in terms of program sustainability, effectiveness and efficiency and
  - iii. ensure greater openness and transparency in decision-making and ongoing management processes.
  - iv. ensure that the Municipality's resources are equitably distributed in accordance with the rankings of the risk areas
  - v. provide basis for consistent approach on how risks are monitored, managed and reported.

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- o review the previous year's activities and consider the effectiveness of the Municipality's risk management and internal control procedures; and
  - o consider the internal and external risk profile of the coming year and consider whether current internal control procedures are likely to be effective.
- ii. In undertaking the review the Audit Committee will consider the following aspects:
  1. **The control environment:**
    - o The Municipality's objectives and its financial and non-financial targets
    - o Organisational structure and staffing
    - o Culture, approach, and resources with respect to the management of risk
    - o Delegation of authority
    - o Reporting.
  2. **Risk management procedures:**
    - o Significant risks will be identified and assessed timely
    - o Areas of high risk will be prioritised and the resources will be allocated to address these risks.
  3. **Information and communication:**
    - o Information on significant risks must be of quality and must be communicated timeously.
    - o The GGM must recognise the time it takes for controls to breakdowns or new risks to be identified.
  4. **Monitoring and corrective action:**
    - o The GGM will be able to carry out a review to learn from its mistakes or weaknesses and introduce new systems or procedures to avoid re-occurrence of risk(s) and to maximise opportunities without adversely affecting the overall risk profile
- e. The Risk Management Committee will prepare a report of the annual review of the effectiveness of the internal control systems for consideration by the Audit Committee.

**22. THE KEY COMPONENTS OF THE STRUCTURES AND PROCESSES FOR THE MUNICIPALITY'S RISK MANAGEMENT FRAMEWORK INCLUDE:**

**22.1 The Risk Management Policy**

The Risk Management Policy is the cornerstone document which outlines the risk management culture of Municipality and the expectations placed on staff by Senior Management regarding the management of risk. Implementation of the Risk Management policy will ensure that management of the GGM identifies and manages risks in a way that is appropriate for the Municipality's environment and objectives.

**22.2 The Risk Management Strategy.**

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The purpose of the Risk Management Strategy is to guide the implementation the Risk Management culture as expressed in the *Risk Management Policy*. The Risk Management Strategy ensures the delivery of consistent business risk management practices across the GGM. They outline the methodology of Municipality's business risk management program and shall be applied to any risks of a general nature.

A key audit point in the *Risk Management Strategy* is the Risk Management Framework which outlines how individual departments within the GGM will demonstrate their awareness of key business risks and how those risks will be managed and controlled. This will demonstrate to the Risk Management Committee and the Audit Committee that there is a systematic process in place to address the management of risks in the strategic planning process.

### **22.3 The Risk Management Operational Plan**

The Risk Management Operational Plan is a plan prepared annually by Risk Management Section. The Risk Management Operational Plan indicates a list of the risk assessment sessions planned for the next financial year, the officials responsible for each risk assessment session and the timeframes for conducting these risk assessments. The Risk Management Operational Plan also makes provision for other risk management activities such as updating the Risk Management Policies & Procedures and risks assessment sessions that may be requested Management during the financial year.

### **22.4 The Risk Management Procedure Manual**

The Risk Management Procedure Manual is a step by step guide on how to implement the Risk Management Policy and the Risk Management Strategy. The Risk Management Procedure Manual describes the procedures to be followed when conducting a Risk Assessment (Strategic & Operational) and a Control Self Assessment. The Risk Management Procedure Manual also includes templates that must be used to document the results of Risk Assessment Session and the Control Self Assessment.

### **22.5 The Risk Profile/ Risk Register**

This is a key risk reporting tool by which all strategic, operational and department level risk information will be stored centrally by the Risk Management Unit, who will be responsible for ensuring that information is available for reporting and analysis of cross-organisational risk. These Risk Profiles will be compiled per Department or per project.

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## 22.6 Risk Review

This policy will be reviewed as and when required within the cycle of five years.

## 23 GAP ANALYSES

A formalized review protocol, following well-tested methods and approaches, and based on best practice in the field of risk management, is used to perform the GAP analysis. This protocol is based on 8 (eight) recognised principles of risk management which are used to benchmark the structures and systems at GGM against best practice. These principles are as follows:

### PRINCIPLE 1:

Risk is effectively and consistently managed within an explicit, established and efficient internal control environment.

### PRINCIPLE 2:

All the risks created by all internal and external changes are being effectively and efficiently managed.

### PRINCIPLE 3:

There is learning across the Municipality from both successes and failures through the adoption of consistent and structured processes for analysis and the communication of 'learning'.

### PRINCIPLE 4:

There is clear and explicit linking of Risk Management activity to business strategy and plan development and achievement.

### PRINCIPLE 5:

The embedding of risk management is occurring as a result of a planned systematic process.

### PRINCIPLE 6:

Risk Management performance is managed through measurement, in keeping with and as part of the normal business performance measurement system.

### PRINCIPLE 7:

There are effective means in place to assure that risk controls are in place and are effective.

### PRINCIPLE 8:

There are effective means in place to minimize disruption and assure business continuity following an event that impacts normal business operations.

The GAP Analysis assists to identify the areas that the GGM can improve upon to successfully implement Enterprise Wide Risk Management. It has been our experience that a measured consistent process to implement the best practice principles contained in the GAP Analysis protocol provides substantial benefits for the GGM to improve and align to international best practice. This process is executed bi-annually (six monthly) alternative to the Strategic Risk monitoring, with

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constant communication and assurance to all Departments and recommendations on areas for improvement to meet standards as set out in the 5-Year Strategic Business Plan, CDS and IDP.

**24. APPROVAL**

The policy takes effect after approval by the Council

**Signed by:**

**MAYOR: Clir Mathebula S.S**  
**SURNAME & INITIALS**

  
**SIGNATURE**

**25/04/2017**  
**DATE**

**COUNCIL RESOLUTION No: CR112 – 25/04/17 SC**