

KAROO HOOGLAND MUNICIPALITY

RISK MANAGEMENT POLICY 2021/2022

****STRATEGY INFORMED BY THIS RISK MANAGEMENT POLICY:**

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DEFINITIONS & ABBREVIATIONS

'MFMA' - Municipal Finance Management Act, Act no 56 of 2003

'PSRMF' - the Public Sector Risk Management Framework

'ERM' - Enterprise Risk Management

'RMO' - Risk Management Officer

Risk - The chance of something happening that will have an impact on the achievement of Karoo Hoogland's objectives. Risk is measured in terms of consequences and likelihood.

Risk Assessment - The overall process of risk analysis and evaluation.

Risk Management - The culture processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the Municipal environment.

Risk Management Process - The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

1. PREAMBLE

Karoo Hoogland Local Municipality hereby commits itself to an integrated process of enterprise-wide risk management that is aligned to the King III principles of **good corporate governance**, which is effective, efficient and transparent as supported by section 62(1)(c)(i) and 95(c)(i) of the Municipal Finance Management Act (MFMA), Act no 56 of 2003 and all other applicable laws and regulations

Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the Karoo Hoogland Local Municipality environment.

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 practicable.

Furthermore, the Municipality recognizes that **effective risk management** is important for 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. SCOPE AND APPLICATION

- This policy applies to all employees of Karoo Hoogland Local Municipality (including employees who are employed on a fixed-term contract, interns and learners).
- Since effective risk management is the responsibility of all officials in the Municipality, it is of vital importance that it be incorporated into Senior Managers' performance agreements as well as job descriptions of key personnel.
- Routine activities are excluded from this policy unless mandated by other policies.

3. PURPOSE

- This risk management policy is aimed at guiding Karoo Hoogland Local Municipality on how to manage its exposure to risk.
- To communicate the Municipality's stance with regard to risk management.
- Provide reasonable assurance that the risks that threaten the achievement of Municipality objectives are effectively managed.

- Promote adoption of sound risk management practices within Karoo Hoogland Local Municipality.

4. OBJECTIVES

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.

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 Municipality's 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.
- Control and Manage exposure to risk by appropriate risk reduction and mitigation actions
- Educate and train officials on risk management
- Identify Cost effective risk treatment options.
- 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. ROLES AND RESPONSIBILITIES

Effective risk management is the responsibility of every employee within the Municipality, from senior management through to the lowest level. Given the limited resources and capacity constraints, the Municipality will strive to ensure that Risk management roles and responsibilities are carried out as follows:

Municipal Manager / Accounting Officer

- The accounting officer is accountable for ensuring that a risk management system is established, implemented and maintained in accord with this policy. Assignment of responsibilities in relation to risk management is the prerogative of the accounting officer.
- 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 / Audit Committee

- The Risk Management Committee has overall responsibility for overseeing risk management processes within the Municipality; however this function would be fulfilled by the Audit Committee. (The audit committee will be accountable for the oversight of the processes for the identification and assessment of the general risk spectrum, reviewing the outcome of risk management processes, and for advising the MM and Council as necessary.)
- The Audit Committee provides an independent and objective view of the institution's risks and effectiveness of the risk management processes.

Heads of Department/ Risk Owners /Directors

- Heads of Departments are responsible for implementing and monitoring good risk management practices within their departments.
- Directors are accountable for strategic risk management within areas under their control including the devolution of the risk management process to operational managers. Collectively the **Risk Committee** is responsible for:
 - The formal identification of strategies risks that impact upon the institution's mission;
 - Allocation of priorities;
 - The development of strategic risk management plan; and
 - Risk Committee will review against risk management plans and will communicate this to the Audit Committee and the institution.

Risk Management Champions / Managers / Section Heads

- Each department shall appoint a Risk Management Champion that will be responsible for coordinating the risk management initiatives within their respective departments.
- Managers and Section Heads accountable to the Accounting Officer via their line Directors for:
 - Implementation of this policy within their respective areas of responsibility;
 - Annual reporting on the status of the risk register, insofar as it impacts on their respective responsibilities, as part of the annual planning and review cycle;
 - Ongoing maintenance of the risk register insofar as it impacts on their respective responsibilities; and
 - Ensure compliance with risk assessment procedures.

Internal Auditor

- 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 municipality.
- Accountable through the Audit Committee for the implementation of this policy in key areas of the Institution, maintaining a programme for risk re-assessment and a Risk Register for the Institution. Key audit areas will flow from the risk management plan developed by the Risk Committee. The internal auditor will provide advice to the relevant Directors on risk management matters pertaining to the institution “in line with IA’s audit objectives. Audit plans will be driven by risk assessment processes and procedures.”

Risk Management Officer (“RMO”)

- The RMO 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 / All Employees

- Every staff member of Karoo Hoogland is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies.
- Risk management processes should be integrated with other planning processes and management activities.
- There is legislation in place for the management of specific risks such as Occupational Health and Safety and Equal Opportunity. The Risk Management Policy does not relieve the department’s responsibility to comply with other legislation.
- Training and facilitation will, in the first instance, assisted through an assessment process, by internal audit. IA will remain independent in this process.
- 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.

7. POLICY REVIEW

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

8. POLICY REVIEW/AMENDMENT

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 by Council, in terms of a Council resolution at a properly constituted meeting.

9. APPROVAL/ ADOPTION

The policy was approved by Council at a meeting held on the **31st of May 2021**.

In terms of Council Resolution, No:

First Implementation of Risk Management Policy Date: 26 April 2016