

BLOUDBERG MUNICIPALITY



**OFFICE OF MUNICIPAL MANAGER
RISK MANAGEMENT UNIT
ENTERPRISE RISK MANAGEMENT POLICY
2014/2015**

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10/11/17

1. INTRODUCTION

The Accounting Officer of Blouberg Local Municipality has committed to a process of risk management that is aligned to the principles of good corporate governance, as supported by the Municipal Finance Management Act (MFMA), Act no.56 of 2003.

2. RISK AND RISK MANAGEMENT

Risk refers to an unwanted outcome, actual or potential, to the municipality's service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present upside potential, which Management must be aware of and be prepared to exploit. Such opportunities are encompassed in this definition of risk.

Risk management is a systematic and formalised process instituted by the municipality to identify, assess, manage and monitor risks.

3. POLICY INTENT

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

The municipality recognizes that risk management is a systematic and formalized process to identify, assess, manage and monitor risks and therefore adopts a comprehensive approach to the management of risk.

4. POLICY STATEMENTS

Blouberg Local 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 Senior Management and operational employees. In Accordance with Section 62 (1) (c) (i) of the MFMA:

"The Accounting Officer of the Municipality must ensure that the municipality has and maintains: Effective, efficient and transparent systems of financial and risk management and internal control."

It is important that 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.

5. POLICY OBJECTIVES

- To explain Blouberg Local Municipality approach to risk management and ensure that it has a consistent and effective approach to risk management;
- To ensure that Blouberg Local Municipality 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 Blouberg Local Municipality employees take responsibility for managing risk;
- To create more risk aware organizational culture through enhanced communication and reporting of risk;
- To improve corporate governance and compliance with relevant legislation;
- The implementation of this policy will provide the Blouberg Local 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 than 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.

6. PRINCIPLES

- Risk management is recognised as an integral part of responsible management and therefore, Blouberg Local 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.
- The realisation of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk will enable us to anticipate and respond to changes in our service delivery environment, as well as take informed decisions under conditions of uncertainty.
- 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 minimising 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.
- An entity-wide approach to risk management is adopted by the municipality, which means that every key risk in each part of the municipality will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the municipality's systems and processes, ensuring that our responses to risks remain current and dynamic. All risk management efforts will be focused on supporting the municipality's objectives. Equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.
- Risk management must be embedded in the strategic planning of Blouberg Local Municipality.
- 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.

- Blouberg Local Municipality risk tolerance level must be determined by top management and is outlined in the Risk Management Strategy.
- The associated risks of proposed actions and decisions must be properly identified, evaluated and managed to ensure that exposures are acceptable.
- Blouberg Local 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.
- Risks will be owned and managed by the Units where the risk resides.
- This policy is subject to an annual review in line with risk management framework.

7. ACCESS TO INFORMATION

It is our policy that the Risk Officer (RO) and staff of Risk Management are authorized to:

- Have unrestricted access to all municipality's functions, records, property and personnel.
- Have full, free and unrestricted access to the Accounting Officer, the Chairperson of the Risk Management Committee, Senior Management meetings, Mayoral committee meetings, Council meetings and Auditor-General South Africa meetings.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish Risk Management objectives.
- Obtain the necessary assistance of personnel in units of the Municipality where risk assessments are performed, as well as other specialized services from within or outside the Municipality.
- Risk Management must be a standing item on the management meetings.

8. DECLARATION OF INTEREST

All members of Risk Management Committee will sign a declaration of interest in every sitting (meeting).

9. ROLE PLAYERS

Every employee is responsible for executing risk management processes and adhering to risk management procedures laid down by the municipality management in their areas of responsibilities.

9.1 RISK MANAGEMENT OVERSIGHT

9.1.1 EXECUTIVE AUTHORITY

The Executive Authority takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the municipality against significant risks.

9.1.2 AUDIT COMMITTEE

The Audit Committee is an independent committee responsible for oversight of the municipality's control, governance and risk management. The responsibilities of the Audit Committee with regard to risk management are formally defined in its charter.

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The Audit Committee provides an independent and objective view of the municipality's risk management effectiveness.

9.1.3 RISK MANAGEMENT COMMITTEE

The Risk Management Committee is appointed by the Accounting Officer / Authority to assist them to discharge their responsibilities for risk management.

The Committee's role is to review the risk management progress and maturity of the municipality, the effectiveness of risk management activities, the key risks facing the municipality, and the responses to address these key risks. The responsibilities of the Risk Management Committee are formally defined in its charter.

The Risk Management Committee will submit a quarterly report to the Accounting Officer 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.

9.2 RISK MANAGEMENT IMPLEMENTERS

9.2.1 ACCOUNTING OFFICER

The Accounting Officer is the ultimate Risk officer of the municipality and is accountable for the municipality's overall governance of risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

9.2.2 MANAGEMENT

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

9.2.3 OTHER OFFICIALS

Other officials are responsible for integrating risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

9.3 RISK MANAGEMENT SUPPORT AND REPORTING PROCESS

9.3.1 REPORTING BY THE RISK OFFICER

The Risk Officer is the custodian of the Risk Management Strategy, and coordinator of risk management activities throughout the municipality. The primary responsibility of the Risk officer is to bring to bear his/her specialist expertise to assist the municipality to embed risk management and leverage its benefits to enhance performance. The Risk Owners must submit monthly reports on risk management activities in their units to the Risk officer.

The Risk officer will submit a quarterly report to the Risk Management Committee who will submit to Manager Internal Audit. Manager Internal Audit will then submit the report to the 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.

- Any new potential risks that may arise in different units.
- To what extent a culture of risk management has been implemented in the Municipality/Entity.

9.3.2 RISK CHAMPION

The Risk Champion's responsibility involves intervening in instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of municipality's skills and expertise.

9.4 RISK MANAGEMENT ASSURANCE PROVIDERS

9.4.1 INTERNAL AUDIT

The role of the Internal Auditing in risk management is to provide an independent, objective assurance on the effectiveness of the municipality's system of risk management. Internal Auditing must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

9.4.2 EXTERNAL AUDIT

The external auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management.

An entity-wide approach to risk management will be adopted by the Institution, which means that every key risk in each part of the Institution will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the Institution's systems and processes, ensuring that our responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the Institution's objectives. Equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

10. MONITORING & EVALUATION

The Risk officer must monitor the effectiveness of risk mitigating strategies on quarterly basis;

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

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

The Risk Management Committee must evaluate, at least annually, its performance in line with the responsibilities outlined in the approved Risk Management Charter. This evaluation is conducted by Provincial Treasury through Key Performance Indicators.

11. POLICY ADMINISTRATION

This Policy shall be reviewed annually to reflect the current stance on risk management.



12. APPROVAL AND EFFECTIVE DATE OF THE POLICY

The enterprise risk management policy shall come into effect immediately upon approval by the Council of Blouberg Local Municipality.

Recommended by the Risk Management Committee:

Signature:

Date:

1/7/2014

Approved by the Accounting Officer / Authority:

Signature:

Date:

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