



# **DIPALESANG LOCAL MUNICIPALITY**

## **RISK MANAGEMENT POLICY**

**2017/18**

## **1. Introduction**

The Municipal Manager, as the Accounting Officer of the Municipality, has committed the Dipaleseng Local Municipality 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.

### **2.1 Benefits of Risk Management**

The Municipality implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management processes will assist the Municipality to achieve, among other things, the following outcomes needed to underpin and enhance performance:

- more sustainable and reliable delivery of services;
- informed decisions underpinned by appropriate rigour and analysis;
- innovation;
- reduced waste;
- prevention of fraud and corruption;
- better value for money through more efficient use of resources; and
- better outputs and outcomes through improved project and programme management.

## **3. Purpose of the Policy**

The purpose of this Policy is to articulate the Municipality's risk management philosophy. The Municipality recognises 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. Scope of the Policy**

This policy applies throughout the Municipality in as far as risk management is concerned.

#### **5. The Policy**

The realisation of our Integrated Development 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 Dipaleseng 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 department'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 fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

## 6. Risk management framework

This Policy is the starting point in the risk management framework and is prepared to ensure that risk management becomes the concern of line management and everyone in the Municipality and that risk management practices are consistent across the Municipality. The risk management framework adopted by this Policy is comprised of four key elements as illustrated below.

### Identification

- all activities associated with the Municipality's business, both existing and new should be assessed in order to identify material current as well as emerging risks, which threaten the achievement of objectives or may cause material loss or damage or business continuity implications for the stakeholders or reputation risks for the Municipality

### Measurement

- the risks associated with any new activities will be evaluated in order to determine the potential exposure to the Municipality
- all material existing risks will be re-evaluated on at least an annual basis

### Management

- appropriate risk management will enable the Municipality to both minimise loss and optimise opportunities
- the identification and monitoring of risk is the responsibility of the Accounting Officer
- the Accounting Officer will co-ordinate the risk management system, monitoring of results and the reporting of risks to the Council
- the operation of risk mitigation procedures is the responsibility of the Accounting Officer and the Chief Financial Officer with support from the Heads of Departments

### Reporting

- all new significant risks, and any material changes to the existing risk profile must be reported to the Accounting Officer on a regular basis
- The Accounting Officer must report to Council on a quarterly basis, the significant risks faced by the Municipality, and the actions taken to mitigate these risks

## **7. Role players**

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

### **7.1 Risk Management Oversight**

#### **a) Executive Authority**

The Municipal mayor 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.

#### **b) Audit Committee**

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

### **7.2 Risk Management Implementers**

#### **a) Accounting Officer**

The Accounting Officer is the ultimate Chief 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.

**b) Management**

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

**c) 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.

**7.3 Risk Management Support**

**a) Chief Financial Officer**

The Chief Financial Officer is the custodian of the Risk Management Strategy, and coordinator of risk management activities throughout the Municipality. The primary responsibility of the Chief 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.

**7.4 Risk Management Assurance Providers**

**a) Internal Audit**

The role of the Internal Auditing in risk management is to provide an independent, objective assurance on the effectiveness of the department'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.

**b) External Audit**

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

**8. Policy review**

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

## EFFECTIVE DATE

This policy comes in effect on date of approval.

Implementation Date	Council Resolution no.	Adopted Date
1 July 2017		