



**DIPALESENG LOCAL MUNICIPALITY**  
**RISK MANAGEMENT POLICY**  
**2019/20**

## TABLE OF CONTENTS

1.	DEFINITIONS.....	3
2.	INTRODUCTION .....	5
3.	REGULATORY FRAMEWORK.....	5
4.	RISK AND RISK MANAGEMENT .....	5
4.1	Benefits of Risk Management .....	5
5.	PURPOSE OF THE POLICY .....	6
6.	SCOPE OF THE POLICY .....	6
7.	THE POLICY.....	6
8.	RISK MANAGEMENT FRAMEWORK.....	7
9.	ROLE PLAYERS .....	8
9.1	Risk Management Oversight.....	8
9.2	Risk Management Implementers.....	9
9.3	Risk Management Support.....	10
9.4	Risk Management Assurance Providers.....	10
10.	RISK APPETITE .....	11
11.	BUSINESS CONTINUITY MANAGEMENT .....	11
12.	POLICY REVIEW .....	11
13.	EFFECTIVE DATE .....	12

## 1. DEFINITIONS

**“Accounting Officer”** means the Municipal Manager of Dipaleseng Local Municipality as per section 60 of the MFMA;

**“Audit Committee”** means an independent committee constituted to review the control, governance and risk management within the Institution, established in terms of section 166 of the MFMA.

**“Chief Audit Executive”** means a senior official within the organisation responsible for internal audit activities.

**“Chief Risk Officer”** means a senior official who is the head of the risk management unit.

**“Executive Authority”** means the Municipal Council;

**“Framework”** means the Public-Sector Risk Management Framework.

**“Inherent Risk”** mean the exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.

**“Internal Auditing”** means: an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes;

**“Management”** means all officials of the Institution except for the Chief Risk Officer and officials reporting to him/her;

**“MFMA”** means Municipal Finance Management Act (Act No. 56 of 2003);

**“Other Official”** means an official other than the Accounting Officer / Authority, Management, Chief Risk Officer and his/her staff.

**“Residual Risk”** means the remaining exposure after the mitigating effects of deliberate management intervention(s) to control such exposure (the remaining risk after Management has put in place measures to control the inherent risk);

**“Risk”** means: an unwanted outcome, actual or potential, to the Institution’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. This definition of “risk” also encompasses such opportunities.

**“Risk Appetite”** means: the amount of residual risk that the Institution is willing to accept.

**“Risk Champion”** means: a person who by virtue of his/her expertise or authority champions a particular aspect of the risk management process, but who is not the risk owner.

**“Risk Factor”** means: any threat or event which creates, or has the potential to create risk;

**“Risk Management”** means a systematic and formalised process to identify, assess, manage and monitor risks.

**“Risk Management Committee”** means a committee appointed by the Accounting Officer /Authority to review the Institution’s system of risk management;

**“Risk Management Unit”** means a business unit responsible for coordinating and supporting the overall Institutional risk management process, but which does not assume the responsibilities of Management for identifying, assessing and managing risk;

**“Risk Owner”** means the person accountable for managing a particular risk; and

**“Risk Tolerance”** means the amount of risk the Institution is capable of bearing (as opposed to the amount of risk it is willing to bear).

## **2. 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.

## **3. REGULATORY FRAMEWORK**

The following references were observed in compiling this document:

- a) Municipal Finance Management Act, 2003
- b) Municipal Systems Act, 2000 The following references were observed in compiling this document:
- c) Municipal Finance Management Act, 2003
- d) Municipal Systems Act, 2000
- e) Public Sector Risk Management Framework

## **4. 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.

### **4.1 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.

## **5. 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.

## **6. SCOPE OF THE POLICY**

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

## **7. 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.

## 8. 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
- 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



- 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

## 9. 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.

### 9.1 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.

**c) Risk Management Committee**

The Risk Management Committee is appointed by the Accounting Officer 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.

**9.2 Risk Management Implementers**

**a) Accounting Officer**

The Municipal Manager as 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.

### **9.3 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.

#### **b) 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 departmental skills and expertise.

### **9.4 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.

#### **c) Combined Assurance**

A combined assurance plan must be compiled from the risk analysis performed. This will enable management to assign resources efficiently to mitigate the risks to an acceptable level and to identify who is responsible for each risk. The Municipality will also, on a continuous basis, be informed of assurance that risks are being managed efficiently, effectively and economically. A combined assurance plan must be compiled from the risk analysis performed. This will enable management to assign resources efficiently to mitigate the risks to an acceptable level and to identify who is responsible for each risk. The Municipality will also, on a continuous basis, be informed of assurance that risks are being managed efficiently, effectively and economically.

## **10. RISK APPETITE**

The Municipality will establish a risk appetite in its various areas of operation. The Risk Officer and senior management will determine the risk appetite of each directorate, unit or entity as part of effective risk management. As a principle, and in accordance with the MFMA, the Municipality must have a low risk appetite for all forms of loss resulting from negligence and wasteful or fruitless expenditure. The risk appetite must be clearly stated and articulated so that it informs management decisions.

## **11. BUSINESS CONTINUITY MANAGEMENT**

Business Continuity Management is a core component of good governance and is integral to municipality's risk management principles. The implementation of the municipality's BCM Framework is underpinned by this Policy. Business Continuity focuses on municipality's capability to safeguard assets, to protect employees and community, to ensure continuity service delivery, to restore operations should the disruption occur. Dipaleseng Municipality's first priority in the case of a disruptive event is the immediate and ongoing safety of community and staff. Emergency management are prepared for and respond to emergency situations.

## **12. POLICY REVIEW**

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

### 13. EFFECTIVE DATE

This policy comes in effect on date of approval.

Implementation Date	Council Resolution no.	Adopted Date
1 July 2019		

#### Recommended by the Audit and Risk Committee:

Signature:

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Date:

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#### Approved by the Accounting Officer:

Signature:

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Date:

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