



Okhahlamba Local Municipality
Enterprise Risk Management Policy 2018-2019

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1. POLICY STATEMENT

Okhahlamba Local Municipality (The Municipality) is 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.

Risk management is recognised as an integral part of responsible management and the Municipality therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Municipality's Risk Management Framework. It is expected that all departments, operations and processes will be subject to the risk management framework. It is the intention that these departments will work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.

Effective risk management is imperative to the Municipality to fulfil its mandate, the service delivery expectations of the public and the performance expectations within the Municipality.

The realisation of the Municipality's strategic plan depends on the Municipality being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk will enable the Municipality to anticipate and respond to changes in its service delivery environment, as well as take informed decisions under conditions of uncertainty.

The Municipality subscribes 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 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.

The Municipality is adopting a wide approach to risk management, 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 the Municipality's responses to risk 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.



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2. DEFINITIONS

Risk

The Institute of Risk Management defines **risk** as “...*the uncertainty of an event occurring that could have an impact on the achievement of objectives*. Risk not only manifests as negative impacts on the achievement of goals and objectives, but also as a missed opportunity to enhance organisational performance. Risk is measured in terms of consequences of impact and likelihood.”

This definition applies to each and every level of the enterprise and the overriding policy and philosophy is that the management of risk is the responsibility of management at each and every level in the municipality and its entities. The management of risk is no more or less important than the management of organisational resources and opportunities and it simply forms an integral part of the process of managing those resources and opportunities.

Enterprise Risk Management

Enterprise Risk Management (ERM) is the application of risk management throughout the institution rather than only in selected business areas or disciplines. ERM recognises that risks (including opportunities) are dynamic, often highly interdependent and ought not to be considered and managed in isolation. ERM responds to this challenge by providing a methodology for managing institution-wide risks in a comprehensive and integrated way.

ERM deals with risks and opportunities affecting value creation or preservation and is defined as follows with reference to COSO (The Committee of Sponsoring Organisations of the Treadway Commission):

“a continuous, proactive and systematic process, effected by an institution’s executive authority, executive council, accounting authority, accounting officer, management and other personnel, applied in strategic planning and across the institution, designed to identify potential events that may affect the institution, and manage risks to be within its risk tolerance, to provide reasonable assurance regarding the achievement of institution’s objectives.”

3. BENEFITS OF ENTERPRISE RISK MANAGEMENT

The Municipality expects the following benefits in adopting this enterprise risk management policy and effectively implementing the Enterprise Risk Management Framework:

- Aligning risk appetite and strategy
- Pursuing institutional objectives through transparent identification and management of acceptable risk
- Providing an ability to prioritise the risk management activity



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- Enhancing risk response decisions
- Reducing operational surprises and losses
- Identifying and managing multiple and cross-enterprise risks
- Seizing opportunities
- Improving deployment of capital
- Ensuring compliance with laws and regulations
- Increasing probability of achieving objectives

4. ROLES AND RESPONSIBILITIES

The municipal risk management oversight structure is depicted below, with a summary of the specific responsibilities thereafter:

Municipal Risk Management Oversight structure

Refer to the attached Annexure A.

Members of Council

Councillors are collectively accountable for the achievement of the goals and objectives of the municipality and its municipal entities. As risk management is an important tool to support the achievement of these goals and it is important that the Councillors should provide leadership to governance and risk management.

Audit Committee

The Audit Committee provides the Accounting Officer with independent counsel, advice and direction in respect of risk management. The stakeholders rely on the Audit Committee for an independent and objective view of the Municipality's risks and effectiveness of the risk management process. In this way, the Audit Committee provides valuable assurance that stakeholder interests are protected.

Risk Management Committee

The Risk Management Committee is an oversight committee responsible to the Accounting Officer for the monitoring of risk management. It is responsible for assisting the Accounting Officer in addressing its oversight requirements of risk management and evaluating the institution's performance with regard to risk management. The Risk Management Committee is guided by the Risk Management Charter (refer to the attached Annexure B).

Portfolio Committees

Portfolio Committees are standing committees of council. They are not delegated any powers. They will make recommendations to the Executive Committee on risk management matters under their portfolio.



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Accounting Officer

The Accounting Officer is accountable for the Municipality's risk management in terms of legislation. It is important that the Accounting Officer sets the right tone for risk management in the Municipality, this will ensure that the Municipality operates in a conducive control environment where the overall attitude, awareness, and actions of management regarding internal controls and their importance to the Municipality is at par with the stated vision, values and culture of the Municipality.

Management

Management is accountable to the Accounting Officer for designing, implementing and monitoring risk management, and integrating it into the day-to-day activities of the institution. This needs to be done in such a manner as to ensure that risk management becomes a valuable strategic management tool for underpinning the efficacy of service delivery and value for money. Senior managers in charge of the Municipality's departments (Heads of Departments) have overall responsibility for managing risks related to their department's objectives.

Chief Risk Officer (CRO)

The primary responsibility of the CRO is to bring to bear his / her specialist expertise to assist the institution to embed and leverage the benefits of risk management to achieve its stated objectives. The CRO is accountable to the Accounting Officer for enabling the business to balance risk and reward, and is responsible for coordinating the institution's ERM approach.

In the absence of a CRO the Coordinators will report directly to the Risk Management Committee.

Internal Audit

Internal Audit provides to the Accounting Officer an independent assurance regarding the risk management activities of the Municipality. Hence, Internal Audit is responsible for providing independent assurance that management has identified the institution's risk and has responded effectively. Internal audit may also play an advisory and consulting role to Management regarding risk management matters.



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5. FRAUD PREVENTION

All institutions are obliged to appoint a Fraud Prevention Committee, to consist of members of staff drawn from a variety of levels of the institution. The Fraud Prevention Committee must ensure the implementation of the fraud and misconduct strategy, creating fraud awareness amongst all stakeholders and accepting responsibility for considering any reports of fraud or misconduct and for taking appropriate action in consultation with the Head of institution.

The Accounting Officer establishes the right tone for the prevention and management of fraud and misconduct in the institution. This is achieved through developing and publishing a fraud and misconduct risk management policy. Okhahlamba Municipality will not establish a separate Committee to deal with fraud prevention matters, however it will be incorporated with the Risk management Committee.

6. REVIEW OF POLICY

The risk policy statement shall be reviewed annually to reflect the current stance on risk management.

Every employee of Okhahlamba Local Municipality has a part to play in this important endeavor.