WEST RAND DISTRICT MUNICIPALITY

RISK MANAGEMENT POLICY

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1.   Introduction

The Accounting Officer has committed **West Rand District Municipality** (WRDM) 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.   Purpose of the Policy

The purpose of this Policy is to articulate the WRDM's risk management philosophy. The WRDM recognises that risk management is a systematic and formalised process to identify, assess, manage and monitor risks and therefore adopts a comprehensive approach to the management of risk.

3.   Policy Statement

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, that promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

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. Risk Management is proactive rather than reactive.

5. Policy Objectives / Deliverables

The key objectives of the risk management policy are:

- Alignment of risk-taking behaviour of the municipality with strategic business objectives;
- To promote a risk management culture in all sphere of government and improve risk transparency to the stakeholders;
- To maximise shareholders value and net worth by managing risks that may impact the defined financial and performance drivers;
- To assist the municipality in enhancing and protecting those opportunities that represent the greatest service delivery benefits.

6. Risk Management Approach

An entity-wide approach to risk management is adopted by the WRDM, 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 focus on supporting the municipality objectives. Equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

7. Benefits of Risk Management

The WRDM implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management 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

8. Scope of the Policy

This policy applies to all employees including fixed term workers, interns, etc, throughout the municipality (WRDM).

9. Role players

Every employee, including contract workers and interns are 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 Municipal Council

The WRDM council 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.
Council is accountable for the achievement of the goals and objectives of the WRDM and its municipal entities. As risk management is an important tool to support the achievement of this goal, it is important that the Council provides leadership to Governance and Risk Management.

Establish regular reporting mechanisms to ensure that the Council and officials are informed about risk management and internal controls

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. 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 (RMC) is appointed by the Accounting Officer to assist the municipality to discharge the 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 RMC are formally defined in its charter.

9.2   Risk Management Implementers

9.2.1   Accounting Officer

The Accounting Officer is the ultimate Risk Coordinator 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 accountable to the Accounting Officer for designing, implementing and monitoring risk management, and integrating it into the day-to-day activities of the municipality. This needs to be done in such a manner as to ensure that risk management becomes a valuable strategic management tool for underpinning the value of service delivery and value for money.

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

9.3.1   Chief Risk Officer

The Chief Risk Officer is the custodian of the Risk Management Framework, and coordinator of risk management activities throughout the organization. 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.

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 departmental skills and expertise.

Risk management champions are drawn from the existing resources, from within the operations and functions of the various business units.

9.4   Risk Management Assurance Providers

9.4.1   Internal Audit

The role of the Internal Audit in risk management is to provide an independent, objective assurance on the effectiveness of the municipality's system of risk management. Internal Audit 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 Auditors (Auditor-General) provides an independent opinion on the effectiveness of risk management.

Establish performance evaluation mechanisms to assess the effectiveness of risk management and internal controls.

10.   Relevant Documentation

The Risk Management Policy should be read in conjunction with the Risk Management Framework and Risk Management Implementation Plan.

11.   Policy Review

Regular review and revision of the risk management framework to ensure that it remains effective and relevant.

12.   Approval of the Policy

The policy should be approved by the Municipal Council.