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BUFFALO CITY
METROPOLITAN MUNICIPALITY

ENTERPRISE-WIDE RISK MANAGEMENT POLICY

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TITLE OF POLICY	Enterprise Risk Management Policy
POLICY OWNER	Office of the City Manager
POLICY CHAMPION	Chief Risk Officer

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Contents

1.DEFINITIONS & ABBREVIATIONS

In this policy the following terms mean except indicated otherwise:

a. **Accounting Officer** – The City Manager

b. **Assurance** - Part of corporate governance in which a management provides accurate and current information to the stakeholders about the efficiency and effectiveness of its policies and operations, and the status of its compliance with the statutory obligations.

c. **Audit Committee** - An independent committee constituted to review the effectiveness of control, governance and risk management within the municipality, established in terms of section 166 of the MFMA.

d. **Chief Risk Officer** - A senior official who is the head of the risk management unit.

e. **Consequence** - is the outcome of an event and has an effect on objectives. A single event can generate a range of consequences which can have both positive and negative effects on objectives.

f. **Controls** - A *control* is any measure or action that modifies risk. *Controls* include any policy, procedure, practice, process, technology, technique, method, or device that modifies or manages risk. Risk treatments become controls, or modify existing controls, once they have been implemented.

g. **Emerging Risks** -Emerging risks can be regarded as new risks that may be an imminent threat. These could include possible changes to the regulatory environment, the internal landscape or social trends. Below find a table to be utilised to record any new or emerging risks facing the institution.

h. **Enterprise Risk Management**- is a continuous, proactive and systematic process effected by the Buffalo City Metropolitan Municipality's Council, Management and other personnel, applied in policy setting and across the operations of the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite reasonable assurance regarding the achievement of entity objectives." It is a structured and consistent approach across the Municipality that aligns policy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks (threats and opportunities) that the Municipality faces to create stakeholder value, and or choices made under conditions of uncertainty, bound by acceptable levels of risks, designed to sustain/ maximise stakeholder value.

i. **Inherent Risk-** This is the product of the probability of occurrence and the severity of outcome, prior to control measures.
j. **Residual Risk-** is the risk after considering the effectiveness of management's risk responses (controls).
k. **Risk** –is the chance of something happening or not happening that will have an impact upon the objectives of BCMM and/or individual business units. Risk can also be defined as an uncertain future event (threats and opportunities) that could influence the achievement of the goals and objectives of the municipality.
l. **Risk Assessment -** The overall process of identifying, analysing and evaluating risk. The risk assessment process should consider risks that are significant to the achievement of the Municipality's objectives. This is a continuous process, requiring regular reviews, as and when internal and external changes influence the Municipality's strategies and objectives.
m. **Risk Appetite-** the amount of risk taken in pursuit of value.
n. **Risk Categories-** is the grouping of risks with similar characteristics used in establishing the clients risk portfolio (see risk profile). Ultimately determined by the client, the characteristics used to define risk categories typically reflect the client's business model, industry or other factor that derives risk within the organisation.
o. **Risk Champion**- 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.
p. **Risk Management** - Systematic and formalised processes to identify, assess, manage and monitor risks.
q. **Risk Owner** - The person accountable for managing a particular risk.

r. **Risk Management** – is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding acting on and communicating risk issues and opportunities.
s. **Risk Strategy**- the approach adopted for associating and managing risk based on the Municipality's objectives and strategies.

t. **Risk Profile -** Threats to which the Municipality is exposed to. The risk profile will outline the number of risks, type of risk and potential effects of risks

u. **Risk Treatment** - Risk treatment is a risk modification process. It involves selecting and implementing one or more treatment options. Once a treatment has been implemented, it becomes a control, or it modifies existing controls.

v. **Strategic risk** - are those internal and external events and scenarios that can inhibit a municipality's ability to achieve its strategic objectives. This would typically include risks associated with governance, the business model and the industry/ economic environment.

2. ENTERPRISE RISK MANAGEMENT POLICY

The need for risk management policy is mandated by the Municipal Finance Management Act (MFMA) section 62 and 78. Risk management is a central part of the organization's strategic management. It is a process whereby an organization both methodically and intuitively addresses the risk attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of activities.

Risk management is recognized as an integral part of sound organizational management and is being promoted internationally and in South Africa as good business practice applicable to the public and private sectors.

Risk management considers the risks involved with any business activity of the municipality and measures the impact and extent of the risk on the achievement of the metro's objectives. The increased awareness by citizens of their return on investment by government (who act as service provider and trustee of their resources) has also contributed to this risk management focus.

A risk management policy as mandated by the Municipal Finance Management Act and management is to acknowledge commitment to risk management and the following will be stated on the policy:

- Policy statement
- Definition of risk management terms
- Responsibilities
- Risk Management Process
- Monitoring and Review

The City Manager commits the 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 56 0f 2003 and various other pieces of legislation applicable to local government.

Risk Management is recognised an integral part of responsible management and therefore BCMM adopts a comprehensive approach to the management of risk. Section 78 of the MFMA places risk management responsibility upon all officials of the City: -

a) Must ensure that the system of financial management and internal control established for the municipality is carried out within the area responsibility of that official
b) Is responsible for the effective, economical and transparent use of financial and other resources within that official's responsibility.
c) Must take effective and appropriate steps to prevent within that official's responsibility, any unauthorized expenditure, irregular expenditure, and fruitless and wasteful expenditure and any under collection of revenue due.
d) Must comply with the provisions of this act to the extent applicable to that official, including delegations and instructions in terms of section 44 and
e) Is responsible for the management, including the safeguarding, of assets and the management of the liabilities within that official's area of responsibilities.

The realisation of the Municipality's strategic plans depends on the institution being able to take calculated risks in a way that does not seek to compromise the direct interests of the stakeholders. Effective and sound management of risks will enable the Municipality to anticipate and respond to changes in service delivery environment, as well as make informed decisions under conditions of uncertainty.

An enterprise-wide approach to risk management will be 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 thus ensuring that responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the Municipality's objectives.

The Municipality therefore subscribes to the fundamental principles that all resources will be applied economically to ensure:

a) The highest standard of service delivery.

b) A management system containing the appropriate elements aimed at minimizing risks and costs in the interest of all stakeholders.
c) Education and training of all staff to ensure continuous improvement in knowledge, skills and capabilities which facilitates consistent conformance to the stakeholder's expectations.
d) Maintaining an environment that promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

3. LEGAL MANDATES AND REGULATORY FRAMEWORK

3.1 Constitution of the Republic of South Africa, Act 108 of 1996

Section 195 of the Constitution emphasises the fundamental principles governing public administration. These principles include a high standard of professional ethics, efficient & effective use of resources and an accountable public administration.

3.2 Local Government: Municipal Finance Management Act 56 of 2003

The MFMA outlines the roles and responsibilities of key stakeholders within the risk management process as follows:

3.2.1 Accounting Officer

Section 62 of the MFMA mandates the Accounting officer to take all reasonable steps to ensure that the Municipality has and maintains effective, efficient and transparent systems of financial management, risk management and internal control.

3.2.2 Senior Management and other officials

Section 78 of the MFMA further extends this responsibility to Senior Managers and all officials of the Municipality. This implies that responsibility for risk management rests at all levels of management and personnel. Senior Management and all officials of the Municipality are expected to take all reasonable steps within their area of responsibility to ensure that the system of financial management and internal control established for the municipality is carried out.

3.2.3 Internal Audit

Section 165 of the MFMA states:

(2) The internal audit of a Municipality or municipal entity must: -

(a) prepare a risk-based audit plan and an audit program for each financial year;

(b) advise the Accounting officer and report to the Audit committee on the implementation of the internal audit plan relating:

iv. risk and risk management

3.2.4 Audit Committee

Section 166 of the MFMA defines Audit committee as an independent advisory body which must advise the Municipal Council, the political officer bearers, the accounting officer and the management of staff of the municipality, or the board of directors, the Accounting officer and management staff of the municipal entity on matters relating to risk management.

3.3 Public Sector risk management framework

National Treasury had developed a framework that provides for the implementation of an enterprise risk management framework for the entire public service.

4. PURPOSE OF THE POLICY

The policy will enable the City to manage risks in an effective manner and deal with uncertainty and associated risk and opportunities to enhance the capacity to build value-moved from section on principles.

5. STRATEGIC OBJECTIVES

Risk policy is to follow a structured approach to the effective management of risk in pursuit of the following business objectives:

- Financial, operational and management systems directly support the management of risks that threaten the achievement of the municipal objectives.
- The management has an active, structured and commonly shared knowledge of the whole range, and the relative priority of risks that they must manage.
- Staff objectives are set in terms that reflect the municipal strategic and operational risk priorities.
- Responsibility for the management of risks is assigned to staff members who have the authority to ensure that they are managed.
- Resources are assigned to the management of risks in such a way to optimize value for money.
- Senior Management priorities in respect of management of risks are fully communicated to the operational staff.
- Senior Management view is informed by upward reporting of risks throughout the municipality/metro.

6. POLICY PRINCIPLES

. Enterprise risk management encompasses:

a) **Aligning risk appetite and strategy:** Management considers the Municipality's risk appetite in evaluating strategic alternatives, settling related objectives, and developing mechanisms to manage related risks.

b) **Enhancing risk response decisions:** Enterprise risk management provides the rigor to identify and select among alternative risk responses.

c) **Identifying and managing multiple and cross-enterprise risks:** The Municipality faces risks in different parts and business processes, enterprise risk management facilitates effective responses to the interrelated impacts, and integrated responses to multiple risks.

d) **Reducing operational surprises and losses:** The Municipality will gain enhanced capability to identify potential events and establish responses, reducing operational surprises, associated costs or losses.

e) **Seizing opportunities:** Through risk management, Management is positioned to identify and proactively realise opportunities.

f) **Improving deployment of capital:** Obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation.

7.SCOPE OR APPLICABILITY OF THE POLICY

The effectiveness of risk management requires that it be owned by all officials within the municipality. Risk Management applies to all municipal officials, political office bearers and agents acting on behalf of the municipality. The policy applies to all stakeholders of Buffalo City Metropolitan Municipality.

8. GOVERNANCE ISSUES/AUTHORITY/DELEGATIONS

8.1 The Administration

The Accounting Officer (City Manager) must annually:

a) Facilitate the revision of this policy;
b) Communicate and make this policy accessible to all employees.
c) Monitor and regularly report on the impact of the policy
d) Accounting Officer is responsible for the interpretation and administration of the policy

8.2 The Council

a) Councillors are required to familiarise themselves with this Policy's contents, and oversee its implementation by the officials; and
b) Council to approve and adopt the Enterprise Risk Management Policy

9.POLICY PROCEDURES/IMPLEMENTATION

See Annexure A

10. COMPETENCE AND CAPACITY TO IMPLEMENT THE POLICY

To ensure competence and capacity to implement the policy, the following applies:

11.1 The Policy should be available and communicated to all relevant staff
11.2 All relevant staff must be aware of the prescriptions of the policy
11.3 All the relevant staff must be aware of the procedures contained in this policy
11.4 Relevant Supervisors/Managers must ensure compliance with this policy

ANNEXURE A: ENTERPRISE RISK MANAGEMENT POLICY PROCEDURE/IMPLEMENTATION

1. ENTERPRISE-WIDE RISK MANAGEMENT MATRIX

The risk management framework contained in this policy is geared to achieve the Municipality's objectives as determined in the following categories**:**

a) **Strategic:** High-level goals aligned with and supporting the municipality's mission.
b) **Operations:** Effective and efficient use of its resources
c) **Safeguarding:** Safeguarding of assets
d) **Compliance:** Compliance with applicable laws and regulations

It is important to appreciate that risks do not always conveniently fit into one category and that the importance and relevance of a good reporting system is to include a mechanism to highlight those risks whose nature has changed.

1.1 Risk Categories

a. Human resources risk
b. Knowledge and Information Management
c. Litigation
d. Loss/theft/damage of assets and resources
e. Material Resources (Procurement Risk)
f. Service Delivery
g. Information Technology
h. Third Party Performance
i. Health and Safety
j. Disaster Recovery Business Continuity
k. Compliance/Regulatory
l. Fraud and Corruption
m. Financial
n. Economic Environment
o. Political Environment

1.2 Risk Profile

The documented risk assessments create the risk profile for the municipality and the risk profile entails the following:

a. Facilitates identification of risks (to identify the most significant risk issues which management should consider).
b. Captures the reasons for decisions made about what is and is not acceptable exposure.
c. Facilitates the recording of the way in which it is decided to address risk.
d. Facilitates the reviews and monitoring of risks.
e. The highest-level risks will be considered by the management as specific risks priorities will change over time and prioritization will consequently change.

2. ENTERPRISE RISK MANAGEMENT PROCESS

Risk management is an ongoing process at every level, and consists of eight interrelated components, namely:

a) **Control environment:** The control environment encompasses the "tone at top of the municipality and sets the basis for how risk is viewed and addressed by the municipality, including risk management philosophy and risk tolerance/appetite, integrity and ethical values, and the environment in which the municipality operates.

b) **Objective setting:** Objectives must exist before identification of potential events affecting their achievement. The risk management process is to ensure that management has a mechanism in place to both set objectives and align the objectives with the municipality's vision and mission and should be consistent with the municipality's risk tolerance and appetite.

c) **Event identification:** An event may be defined as an incident or occurrence, from sources internal or external to the municipality that may affect the achievement of an objective. Management should identify potential events affecting implementation of strategic goals and objectives including those that may have positive or negative impacts, or both. Management should also consider events with a relatively low possibility of occurrence if the impact on achieving an important objective is great.

d) **Risk assessment:** Management must analyse risks in terms of their likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis. The municipality uses ratings of 1 to 5 for the assessment of both impact and likelihood as outlined here below:

IMPACT

Rate	***Impact***	***Consequence***	***Enhanced Rating Sales***
5	Critical (Catastrophic impact)	Negative outcomes or missed opportunities that are of critical importance to the achievement of the objectives.	**Extremely High Significance** Strategic objectives cannot be achieved, resulting in significant financial impact and questions about future viability.
4	Major (Very material impact)	Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives.	**Highly Significant** Difficult to achieve strategic objectives and / or material financial impact.
3	Moderate impact	Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives.	**Moderately Significant** Noticeable challenges to a strategic objective.
2	Minor impact Negative outcomes or missed	Minor impact Negative outcomes or missed	**Minor impact Negative** outcomes or missed
1	Insignificant Negative outcomes or missed	Insignificant Negative outcomes or missed	**Insignificant Negative** outcomes or missed

LIKELIHOOD

Rate	*Likelihood*	*Occurrence*	*Enhanced Rating Scales*
5	Maximum	The risk is already occurring, or is likely to occur more than once within the next 12 months	Highly Likely: Already occurring or almost certainly will occur in specified time period (>90%)
4	High	The risk could easily occur and is likely to occur at least once within the next 12 months.	Likely: More likely than not to occur in the specified time (> 50%).
3	Medium	There is an above average chance that the risk will occur at least once in the next three years.	Possibly May occur during the specified time (< 50%)
2	Low	The risk occurs infrequently and is unlikely to occur within the next three years.	Unlikely: Not likely to occur in the specified time (< 25%)
1	Minimum	The risk is conceivable but is only likely to occur in extreme circumstances.	Very Unlikely and Virtually no chance it will ever happen. (< 5%)

The product of the impact and likelihood determines the risk magnitude of the risks.

e) **Risk Response:** Management selects the best viable and available risk responses from the ones listed below:

i. **Risk acceptance**: No action is taken to affect likelihood or impact because it is such a minimal risk, or the cost to implement the risk mitigation plan is too high relative to the cost of the risk;

ii. **Risk reduction**: Reduction responses reduce the risk likelihood, impact, or both;

iii. **Risk sharing**: Sharing responses reduce risk likelihood or impact by transferring or otherwise sharing a portion of the risk;

iv. **Risk transfer**: transferring the risks associated with the activity to another party i.e. outsourcing such function;

v. **Risk avoidance**: avoidance responses take action to remove the activities that give rise to the risks i.e. cessation of such risky functions;

vi. **Monitoring** the likelihood or impact; and **Controlling** likelihood or impact

For each identified risk, an appropriate and viable risk management strategy option will be selected. Upon which, action plans will be developed to affect the selected strategy option

f) **Information and communication:** relevant information should be identified, captured, and communicated in a manner and time lines that enable people to carry out their responsibilities.

- Communication within the Municipality/Metro about risk issues is important to ensure that:

i. Every official understands what municipality risk management strategy is; the risk priorities and how their responsibilities fit into the framework.

ii. Transferable lessons are learned and communicated to those who can benefit from them.

iii. Each level of management receives regular assurance about the management of risk within their area of control.

- Communication to other governmental entities especially those responsible for direct delivery of services to remove any potential misunderstanding about risk priorities.
- Communication is important in relation to risks which affect the public and where the public depend on government to respond to those risks.

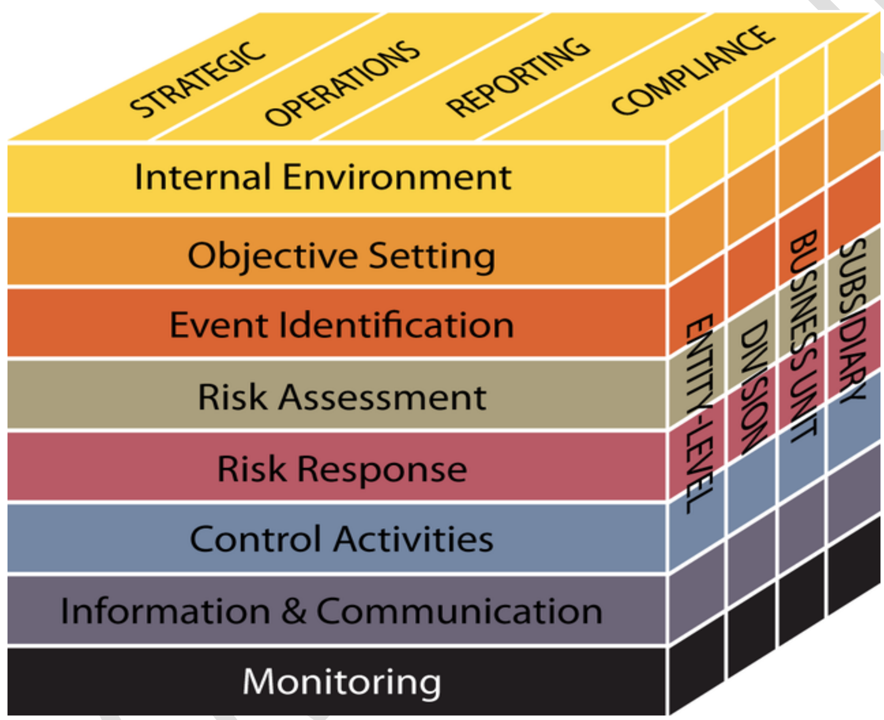
g) **Control activities:** are the policies, processes and procedures designed and implemented to help ensure that risk management strategies are properly implemented. They usually involve two elements: a policy establishing what should be done and procedures to effect the policy (implementation plan).

Risk Control Effectiveness	Control effectiveness rating	Interpretation	Action plan
Non-Existent	5	Inadequate design of controls/no controls in place to mitigate risk.	Redesign process and/or controls with focus on both prevention and detection controls. Automation of processes to be considered.
Weak	4	Several controls are not being used as intended, or not designed to treat the root causes of the risk.	Address control weaknesses or improve operational efficiency.
Satisfactory	3	Control activities are improved in design adequacy and operating in a reasonable level to reduce risk exposure. There is still room for improvement in certain areas.	Review and monitor existing controls/ independent assurance.
Good	2	Controls are adequately designed and operating effectively to mitigate most of key risk exposures	
Very Good	1	Controls are well designed for the risk.	

h) **Monitoring:** The entirety of enterprise risk management should be monitored, and modifications made necessary. Monitoring should be accomplished through on-going management activities, separate evaluations, or both.

4. Aligning of objectives and Enterprise-Wide Risk Management Matrix

The starting point for effective risk management, is understanding the strategic direction of the municipality. There is a direct relationship between objectives and enterprise risk management components. This relationship is depicted in a three-dimensional matrix in figure 1 below:



The objective categories- strategic, operations, reporting and compliance are represented by the vertical columns; the eight components by horizontal rows and the Municipality's units by the third dimension. This matrix shows the ability to focus on the entirety of the Municipality's enterprise risk management, or by objectives category, component, directorate or any municipal unit.

5. RISK APPETITE AND RISK TOLERANCE

It is a stark reality that a municipality will never operate in a risk-free environment and It will not always be efficient to manage risks to zero residual risk or a very low residual risk threshold because of the time, funds, capacity and effort required to create such environment.

As the accepted, it is also poor management practices to accept risks which create unnecessary exposure for a municipality. Given the aforementioned cost, time and effort dynamics; it is important for the municipality to make informed decisions on how much risk is acceptable as part of normal management practice.

This level of acceptable risk is known as a "risk appetite" and establishes the benchmark for determining the institution's risk tolerance levels. It thus become imperative that the municipality develop, implement, and maintain risk tolerance and risk appetite levels, which must be embedded in their risk management processes.

The Chief Risk Officer and Senior Management have a responsibility to 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, BCMM has a low-risk appetite for all forms of loss resulting from negligence and wasteful or fruitless expenditure and zero tolerance to fraud and corruption. A risk appetite framework attached as has been developed to give detail on the risk appetite and the different thresholds applicable.

6. RESPONSIBILITIES AND ACCOUNTABILITY

All officials of the City have a responsibility for maintaining good internal controls and managing risks to achieve the City's objectives. The primary responsibility for the identification and management of risks however lies with management. Responsibilities are broken into risk management oversight, risk management advisory bodies, risk management implementers, risk management support and risk management assurance providers:

6.1 RISK MANAGEMENT OVERSIGHT

a) Council

i. Council takes 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 City against significant risks and to ensure the achievement of objectives as detailed in the Integrated development plan of BCMM.

ii. The Council should steer and set strategic direction, approve policy and planning, approve the risk appetite and oversee, monitor and ensure accountability.

iii. The Council should appreciate that the municipality's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

6.2 RISK MANAGEMENT ADVISORY BODIES

a) Audit Committee and Performance Audit Committee

The audit committee is an independent and objective committee responsible for:

- Advising the Council on the City's controls, governance, and risk management
- The responsibilities of the audit committee are formally documented in their Charter.

b) Risk Management Committee

The risk management committee has been constituted by the City Manager to provide an appropriate forum and governance structures to assist the City Manager and management in discharging their risk management responsibilities and providing an enabling environment to ensure that the City complies with laws, regulations, and recognised governance frameworks. The BCMM risk management committee will be chaired by an external independent chairperson who is not an employee of the municipality. The responsibilities of this committee are formally documented in its charter.

6.3 RISK MANAGEMENT IMPLEMENTERS

a) The Accounting Officer (The City Manager)

The City Manager is ultimately responsible for the overall responsibility for risk management as well as the policy and strategy for the management of risk within the municipality. The CM is accountable for the overall governance of risk within the City. By setting the tone at the top, the CM promotes accountability, integrity and other values that will create a positive control environment.

b) Senior Management

Senior Management requires assurance from the Accounting Officer that a framework for the effective management of risk is in place. The role of senior management in risk management can be summarized as follows:

i. Endorses the policy and the strategy/plan;
ii. Receives a formal annual review from the Chief Audit Executive and Accounting officer as the basis for the preparation of the System of Internal Control;
iii. Receives and comments upon periodic reviews on key risks facing the City and actions put in place to manage those risks;
iv. Implements the policy and strategy;
v. Review strategic risks and action plans, including those identified through the operational risk management process on a periodic basis;
vi. Ensures that an appropriate overarching framework is in place and operational in order that the policy objectives set out above are met;
vii. Allocate responsibilities to individual Senior Managers to ensure that action plans are developed and implemented to manage risks;
viii. Identify key risks to business plan objectives as an integral part of the business planning process;
ix. Ensure that management plans are in place and reviewed to mitigate the key risks identified during the business planning risk assessment process;
x. Ensure that an escalation process is in place for key risks in their area of responsibility to facilitate upwards reporting to the Accounting Officer for consideration and review of action plan;
xi. Ensure that risk to business plan objectives is a standing item on the agenda for the Senior Management team meetings;
xii. Receives and approve periodic reports on operational risk management issues.

c) Chief Risk Officer (CRO)

The CRO has the ultimate responsibility to provide direction, technical expertise, guidance, support, build capacity and to monitor directorates in effecting enterprise risk management. CRO responsibilities include ensuring that all components of ERM are in place. The responsibilities can be summarised as follows:

i. Develop and implement enterprise-wide risk management strategy and framework which is underpinned by the City's growth and development strategy together with its integrated development plan;
ii. Develop and implement risk management methodologies, techniques, templates and systems for gathering risk information, monitoring risk management activities, information sharing and reporting;
iii. Develop and facilitate risk management training and awareness programmes at appropriate levels within the municipality to inculcate a risk management culture;
iv. Assist Directorates in facilitating risk assessments and developing risk mitigation strategies;
v. Consolidate the BCMM risk profile and escalate critical risks to the Audit committee and risk committee;
vi. Summarise cross cutting risks for considerations by the risk management committee and ensuring that uniform strategies are implemented;
vii. Develop and implement fraud and corruption mitigation strategies;
viii. Develop and implement compliance framework and manuals;
ix. Report risk intelligence to the Accounting Officer, Management, the risk committee and audit committee;
x. Benchmark the performance of the risk management process to the risk management processes adopted by other municipalities both within South Africa and abroad.

d)Risk Champions

The Heads of Departments shall appoint Risk Champions in their respective directorates. The duties of the risk champions are detailed in their terms of reference.

e) Other officials in BCMM

As section 78 of the MFMA extends the responsibility of risk management to all officials of the municipality, all officials are responsible for integrating risk management into their day-to-day activities.

f) Risk Owner

The risk owner is the individual charged with the delivery of the task in hand, regardless of size, and where this is an individual project, the risk owner is the project manager. Management of strategic or operational risks is the responsibility of the individual assigned to ensure that action plans are developed and implemented to manage risks.

7.ASSURANCE RESPONSIBILITIES

7.1 Internal Audit

The core role of Internal Audit in risk management is to provide an independent, objective assurance to Council on the effectiveness of risk management. Internal Audit also assists in bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the entire risk management system and provide recommendations for improvement where necessary.

7.2 External Audit

During the audits, the Auditor-General of South Africa highlights weaknesses and deficiencies with regards to controls and provides independent assurance on the effectiveness of the risk management activities of the City.

8. ENTERPRISE-WIDE RISK MANAGEMENT METHODOLOGY

8.1 **RISK PROTOCOLS**

Risk management requires the use of various tools for analysing and reporting risk management activities. These tools include the following:

a) Risk Management Information Systems

With the world becoming digital, it is important that risk management uses relevant software to enhance the effectiveness and efficiency of the risk management processes. To ensure that risk management is facilitated effectively, the Risk Management Unit is to acquire a risk management software tool for use throughout the municipality.

b) Risk Register

The Chief Risk Officer has a responsibility of conducting risk assessments across the Municipality and all risks identified should be recorded on the risk register. A risk register is an important tool that records risks identified, risk ratings and mitigation action plans committed. Risk assessments are conducted in the different directorates; results of these assessments are recorded in the risk register and are then given to the Chief Risk Officer, who will develop and maintain a Municipality enterprise-wide risk register.

c) **Combined assurance plan**

The Chief Risk Officer must, together with the Chief Audit Executive and with the Chief Operating Officer, develop a combined assurance plan of identified risks. A combined assurance plan must be compiled from the risk analysis performed. Combined assurance encourages integrating and optimising all assurance services and functions, so that taken together, these enable an effective control environment, support the integrity of the information used for decision-making by management, the Municipal Council, and its committees to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the Audit and Risk Committee, within the municipality's risk appetite.

d) Risk Management report

Risk management reports supported by graphs and charts depicting the risk profile of the municipality must be produced quarterly.

8.2 RISK ASSESSMENT

8.2.1 Risk identification

Risk identification aims to identify future uncertain events from internal or external sources that could affect implementation of the City’s strategy or achievement of the objectives. These events may have positive or negative impacts, or both. Events do not occur in isolation. One event can trigger another, and events can occur concurrently.

8.2.2 Risk Analysis

Risk analysis consists of the documentation of the 'current controls' (systems and processes) that are in place to address the identified risks and contributing factors, as well as assessing management's confidence in the effectiveness of the control mechanisms driving the various systems (including IT environment) and processes practised within the City. Management evaluates controls to ensure they are still appropriate, relevant, economical (cost effective) and efficient.

8.2.3 Risk evaluations (Ratings)

Uncertainty around potential future events relevant to the City and its activities are evaluated from two perspectives, namely likelihood and impact. By calculating the risk exposure (Risk rating), management gets to understand the extent to which potential events impact on their objectives.

8.3 IMPLEMENTATION PROCEDURES

Successful implementation of an enterprise risk management initiative is an ongoing process that Involves working through the steps set out below on a continuous basis:

a) Planning and designing
b) Implementing
c) Measuring and monitoring

Effective risk management requires integration of efforts by all employees and all stakeholders in implementation of risk management practises. The implementation process is summarised in the table below:

ACTIVITY	RESPONSIBLE PERSON	OUTPUTS/ DELIVERABLES
PLANNING AND DESIGNING		
1.1 Awareness: Create awareness of the enterprise risk management initiative and gain management mandate and employee commitment.	Chief Risk Officer	Embedding risk management into the organisational culture.

1.2 Develop the risk management strategy, policy, framework and establish relevant structures, clearly defining roles and responsibilities of key stakeholders.	Chief Risk Officer	ERM Framework Risk Management Strategy Risk Management Policy Risk Management structures
IMPLEMENTING		
2.1 Adopt suitable risk assessment procedures and an agreed risk classification system	Chief Risk Officer	Risk management methodology/ procedure manual
2.2 Conduct risk assessment	Chief Risk Officer/ HoDs	Risk Profile
2.3 Determine risk appetite, risk tolerance levels and evaluate existing controls	Chief Risk Officer HoDs	Risk register Risk appetite
MEASURING AND MONITORING		
3.1 Ensure cost-effectiveness of existing controls and introduce improvements	Chief Risk Officer/ HoDs	Control improvement

9. MONITORING AND EVALUATION

The management of risk is reviewed and reported for the following reasons:

a. To monitor whether the risk profile of the municipality is changing;
b. To gain assurance that risk management within the municipality is effective and to identify when further action is necessary;
c. Designated managers at various levels report upwards (on either a quarterly basis or bi-annually) on the work done to manage risks and control procedures up to date and appropriate to circumstances within their area of responsibility.

Risk management changes over time. Risk responses that were once effective may become irrelevant; control activities may become less effective, or no longer be performed, or the City's objectives may change. Monitoring must focus on the effectiveness of the existing controls and the implementation of additional controls, as well as cost-effectiveness of the existing controls.

Monitoring and measuring must extend to the evaluation of culture, performance, and preparedness of the Municipality.