OVERBERG DISTRICT MUNICIPALITY

ENTERPRISE RISK MANAGEMENT POLICY

2020 / 2021

Overberg District Municipality's Policy statement

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 Overberg District Municipality is committed to the optimal management of risk in order to achieve our vision, service delivery and strategic key objectives to ensure appropriate outcomes for the community.

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 good corporate governance.

Commitment to risk management is a sure expression of commitment to Batho Pele principles. The Overberg District Municipality is committed to a process of risk management that is aligned to the principles of leading practice and legislation, e.g. Municipal Finance Management ACT (MFMA) and the King IV Report on Codes of Governance. It is required that all directorates will follow a uniform risk management process and align processes to its key principles and objectives.

Risk in the Overberg District Municipality is a complex and diverse concept. It is the intention that all departments will work together in a consistent and integrated manner, with the overall objective of reducing risk and optimizing opportunities, as far as reasonably practical in the interest of the municipality.

The Council recognizes the wide range of risks to which the Overberg District Municipality is exposed. It is therefore a strategic objective to adopt a process of Enterprise risk management (ERM) that will assist the Overberg District Municipality in meeting its key goals, most specifically:

- To align the risk-taking behaviour to better achieve the goals and related objectives;
- To protect the reputation and brand name of the Overberg District Municipality;
- To promote a risk awareness ethics in all Departments/Directorates and improve risk transparency to stakeholders;
- To maximise (create, protect and enhance) stakeholder value and net worth by managing risk that may impact on the development and success indicators;
- To identify risk improvement opportunities that will maximise business opportunities and sustainable delivery of services and programs.

Effective risk management is imperative to the municipality, with its diverse key processes and an intrinsic risk profile. The realisation of the municipality's Integrated Development Plan (IDP), strategic goals and objectives depends on all role-players being able to take calculated risks in a way that does not jeopardise service delivery. Sound management of risk will enable all role-players to anticipate and respond to the changes in our environment, as well as to make informed decisions under conditions of uncertainty and inherent risk.

Management is responsible for ERM execution, in the achievement of the Overberg District Municipality's IDP strategy and every employee, partner, contractor and specialist has a part to play in this important endeavour and we look forward to working with you in achieving these goals.

1. Purpose and scope

1.1 Purpose

The purpose of this policy is to formalise The Overberg District Municipality's Enterprise Risk Management (ERM) program and to articulate the roles and responsibilities of the risk implementers, oversight bodies, and risk management and assurance providers in risk management. Through this policy the Overberg District Municipality puts into practice its commitment to implement risk management and embed a culture of risk management within the municipality. This policy forms the basis for the accompanying risk management strategy which is designed to help achieve the objectives of implementing an effective ERM process.

1.2 Scope

The scope of this policy applies throughout the Overberg District Municipality in as far as risk management is concerned.

Sound risk management principles must become part of routine management activity across the municipality. The key objective of this policy is to ensure the municipality has a consistent basis for measuring, controlling, monitoring and reporting risk across the municipality at all levels.

1.3 Policy Objective

The objectives of this policy are -

[a] to provide a framework for the effective identification, measurement, avoidance / management and reporting, of the Municipality's risks;

[b] to define and assign risk management roles and responsibilities within the Municipality; and

[c] To define a reporting framework which ensures regular communication of risk management information to the Council, portfolio committees, the Audit and Performance Audit Committee and senior management and officials engaged in risk management activities.

2. Legislative Context

Section 195 of the Constitution emphasises the values and principles underpinning public administration, which include the efficient, economic and effective use of resources in the public sector.

Section 83 of the Municipal System Act, No 32 of 2000 "*measures must be taken around service providers that minimise the possibility of fraud and corruption"* and

Section 104 *"loss control on municipal equipment be minimized thereby reducing the possibility of fraud and corruption and that this will be regulated by the Municipality Executive Council".*

The Municipal Finance Management Act, No 56 of 2003, sets out the roles and responsibilities of the key stakeholders within the risk management process as follows:

- Accounting Officer: Section 62(1)(c)(i) states that the Accounting Officer takes all reasonable steps to "*… ensure that the municipality has and maintains effective, efficient and transparent systems of inter alia risk management and internal control.*"

- Management, Chief Risk Officer, Risk Specialists and Other Personnel: In terms of section 78 *"…management responsibilities are extended to all senior managers and other officials of municipalities. This implies that responsibility for risk management vests at all levels of management and personnel and is not limited to only the Municipal Manager, the Risk Management Unit or Internal Audit Division".*

- Internal Audit: Section 165 of the MFMA requires that:
  "(2) The internal audit unit of a municipality or municipal entity must –
    (a) Prepare a risk based audit plan and an internal audit program for each financial year;
    (b) *Advise the accounting officer and report to the Audit and Performance Audit Committee on the implementation on the internal audit plan and matters relating to:*
      (iv) Risk and risk management."

- Audit and Performance Audit Committee: Section 166 (2) of the MFMA states:
  "(2) An Audit and Performance Audit Committee is an independent advisory body which must–
    (a) Advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and management staff of the municipal entity, on matters relating to -
      (ii) Risk management"

2.1 Applicable Frameworks

The following frameworks guides the risk management practices of Municipality:

- The Public Sector Risk Management Framework (PSRMF) by National Treasury provides a generic guide for the implementation of risk management strategies in the public service, and suggests that risk management is a formal step-by-step process that can be applied at all levels of a Department.
  These principles need to be implemented within the context of each Department who should implement this framework in the development of their own risk management strategies.

- The King IV Code of Governance for South Africa has nine focus areas and the principles to be applied in each are of equal importance and together forms a holistic approach to governance. The Governance of Risk is one of these focus areas and in turn is broken up into governance elements, principles and recommended practices.

- COSO Committee of Sponsoring Organizations of the Treadway Commission is focusing in Integrating the strategy and performance of the enterprise risk management

3. Proficiency and due professional care

Risk management activities must be performed with proficiency and due professional care.

The CRO and risk champions:

- Should apply the care and skills expected of reasonably prudent and competent risk management officials
- Must exercise due professional care by considering the cost of managing the risk in relation to the value of the objective, that management define and implement controls to manage risk and reducing the probability of significant errors, irregularities or non-compliance
- Must be alert to the significant risks that might affect objectives, operations or resources, but cannot guarantee that all significant risks will be identified
- Should enhance their knowledge, skills and other competencies through continuing professional development. This is an interactive process and it is expected to develop as risk management matures and becomes embedded within the municipality.

4. Municipality's Risk Management Approach

The Overberg District Municipality's risk management approach is set out as follows:

- Rigorous risk assessment process;
- Formalised risk register;
- Monthly monitoring;
- Regular reporting;
- Data analysis; and
- Informed decision making accompanied by substantiated verification.

5. Role-players in Risk Management Process

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

Executive Structure

Council is the primary accountable body within the municipality with regards to risk. Oversight in respect of all risk related issues will be performed by Council.

Accounting Structure

As per the Municipal Finance Management Act, the Accounting Officer will be the Municipal Manager.

Fraud and Risk Management Committee Structure

The Fraud and Risk Management Committee consists of six people including of the Municipal Manager, Directors, and the Manager: Performance and Risk Management, Manager IDP as well as a member of the Audit and Performance Audit Committee (external member) with a standing invite to Internal Audit and the Chief Risk Officer.

Chief Risk Officer
The Chief Risk Officer has been appointed by the Accounting Officer in a shared service role.

Risk Champions (Management)
The principle of Risk Champions as promoted by National Treasury is to be implemented throughout the municipality. A minimum of at least one manager from each directorate will be designated as a Risk Champion.

Senior Official (Action Owners)
Senior Officials will be all other managers, departmental managers, process owners and section managers.

Employees
All employees within the Municipality have a role to play with regards to Risk Management.

Administrative Support
Administrative support with regards to risk management will be provided by the Risk Management department.

Audit and Performance Audit Committee
The Audit and Performance Audit and Performance Audit Committee will act in terms of section 166 of the Municipal Finance Management Act in an advisory capacity.

Internal Audit
The Internal Audit service will be provided by the Municipality's Internal Audit Unit in relation to auditing the risk management processes.

Auditor-General
The Auditor General is responsible to provide assurance to stakeholder.

6. Risk Assessment

6.1 Risk Analysis

- Risk Identification

All activities undertaken by the Municipality, both existing and emerging, must be assessed in order to identify any material current or emerging risks which: -

- threaten the achievement of the Municipality's objectives; or
- may cause material loss or damage to the Municipality's resources; or
- may have potentially disruptive influence on the Municipality's business continuity; or

- May impair the Municipality's reputation among its stakeholders.
- Identifying possible "Black Swan" Events – Very Rare and unpredictable events that may have catastrophic consequences or a devastating impact on the operations or sustainability of the Municipality (This assessment may also include "*Incident*" and Emerging risks).

For this purpose the Municipal Manager and departmental heads must utilise the risk identification and assessment matrix included in this policy.

- Risk Description

There are numerous definitions of risk, which are informed principally by the context in which they are applied.

The following is a commonly used definition: "*A risk is any threat or event that is currently occurring, or that has a reasonable chance of occurring in the future, which could undermine the institution's pursuit of its goals and objectives.*"

Risks manifest as negative impacts on goals and objectives or as missed opportunities to enhance institutional performance. Stakeholders expect the Municipality to anticipate and manage risks in order to eliminate waste and inefficiency, reduce potential shocks and crises and to continuously improve capacity for delivering on their institutionalised mandates.

- Risk Category

As the risk environment is varied and complex it is useful to group potential events into risk categories. By aggregating events horizontally across an institution and vertically within operational units, management develops an understanding of the interrelationship between events, gaining enhanced information as a basis for risk assessment.

The main categories to group individual risk exposures are as follows:

Municipal Risk Levels	
Strategic risks	Strategic objectives are high-level goals aligned with and supporting the municipality's mission and vision. Strategic objectives reflect management's efforts as to how the municipality will look to create value for its stakeholders. Strategic risks are those events, which could have a negative effect on the achievement of this municipality's strategic objectives as noted in the IDP.
Operational risks	Operational objectives pertain to the effectiveness and efficiency of the municipality's operations, including performance, revenue goals and safeguarding resources against loss. They vary based on management's view about structure and performance. Operational risks are those events that may affect the achievement of the directorate's operational objectives.
Emerging	Newly developing or changing risks which are difficult to quantify and which may have a major impact on the municipality.

risk	
Project risk	Risks identified during the setup of the business implementation plan of a capital project or any other projects / plans, including those that has a substantial financial impact on the municipality
Incident risk	Is a risk that may come to light/ incidentally occur during the financial year but was not captured in the initial risk register for that particular financial year.

Risk type	Risk Category	Description
Internal	Human resources	Risks that relate to human resources of an institution. These risks can have an effect on an institution's human capital with regard to: • Integrity & Honesty; • Recruitment; • Skills & competence; • Employee wellness; • Employee relations; • Retention; and • Occupational health & safety
	Knowledge and information management	Risks relating to an institution's management of knowledge and information. In identifying the risks consider the following aspects related to knowledge management: • Availability of information; • Stability of the information; • Integrity of information data; • Relevance of the information; • Retention; and Safeguarding
	Litigation	Risks that the institution might suffer losses due to litigation and lawsuits against it. Losses from litigation can possibly emanate from: • Claims by employees, the public, service providers and other third parties; • Failure by an institution to exercise certain right that are to its advantage
	Loss \ theft of assets	Risks that an institution might suffer losses due to either theft or loss of an asset of the institution.
	Material resources (procurement risk)	Risks relating to an institution's material resources. Possible aspects to consider include: • Availability of material; • Costs and means of acquiring \ procuring resources;

		and • The wastage of material resources
	Information Technology	The risks relating specifically to the institution's IT objectives, infrastructure requirement, etc. Possible considerations could include the following when identifying applicable risks: • Security concerns; • Technology availability (uptime) • Applicability of IT infrastructure; • Integration / interface of the systems; • Effectiveness of technology; and • Obsolescence of technology
Internal	Third party performance	Risks related to an institution's dependence on the performance of a third party. Risk in this regard could be that there is the likelihood that a service provider might not perform according to the service level agreement entered into with an institution. Non-performance could include: • Outright failure to perform • Not rendering the required service in time; • Not rendering the correct service; and • Inadequate / poor quality of performance.
	Health & Safety	Risks from occupational health and safety issues e.g. injury on duty; outbreak of disease within the institution.
	Disaster recovery Business continuity	Risks related to an institution's preparedness or absence thereto to disasters that could impact the normal functioning of the institution e.g. natural disasters, act of terrorism etc. This would lead to the disruption of processes and service delivery and could include the possible disruption of operations at the onset of a crisis to the resumption of critical activities. Factors to consider include: • Disaster management procedures; and • Contingency planning
	Compliance \ Regulatory	Risks related to the compliance requirements that an institution has to meet. Aspects to consider in this regard are: • Failure to monitor or enforce compliance; • Monitoring and enforcement mechanisms; • Consequences of non-compliance; and • Fines and penalties paid
	Fraud and corruption	These risks relate to illegal or improper acts by employees resulting in a loss of the institution's assets or resources.
	Financial	Risks encompassing the entire scope of general financial management. Potential factors to consider include: • Cash flow adequacy and management thereof; • Financial losses;

		• Wasteful expenditure; • Budget allocations; • Financial statement integrity; • Revenue collection; and • Increasing operational expenditure.
	Cultural	Risks relating to an institution's overall culture and control environment. The various factors related to organisational culture include: • Communication channels and the effectiveness; • Cultural integration; • Entrenchment of ethics and values; • Goal alignment; and • Management style.
	Reputation	Factors that could result in the tarnishing of an institution's reputation, public perception and image.

Risk Type	Risk category	Description
External	Economic environment	Risks related to the institution's economic environment. Factors to consider include: • Inflation; • Foreign exchange fluctuations; and • Interest rates
	Political environment	Risks emanating from political factors and decisions that have an impact on the institution's mandate and operations. Possible factors to consider include: • Political unrest; • Local, Provincial and National elections; and • Changes in office bearers.
	Social environment	Risks related to the institution's social environment. Possible factors to consider include: • Unemployment; and • Migration of workers
	Natural environment	Risks relating to the institution's natural environment and its impact on normal operations. Consider factors such as: • Depletion of natural resources; • Environmental degradation; • Spillage; • Pollution; and • Disease.
	Technological environment	Risks emanating from the effects of advancements and changes in technology

	Legislative environment	Risks related to the institution's legislative environment e.g. changes in legislation, conflicting legislation.

- Risk Estimation (Risk Rating Scales)

In this policy, risk assessment refers to the estimation: -

- of the probability of a risk event happening, which will indicate each event's estimated frequency; and
- Of the likely impact the occurrence of a specific risk event may have on the Municipality's operations and / or reputation.

When determining the impact rating, the worst case scenario that could materialise when there is no control intervention from the Municipality is considered. See Impact Ratings below:

Rating	Assessment	Description
1	Negligible	Impact of adverse event has little (if any) impact on services.
2	Insignificant	Impact of adverse event is minimal.
3	Minor	Impact will be coped with in short term through normal operational processes performed by staff.
4	Immaterial	- Irritation in rendering or receiving services. - No material impact on achievement of the Municipality's strategy and objectives. - Can be dealt with by senior staff.
5	Marginal	Disruption of normal operations/services. - Limited effect on the achievement of the Municipality's strategy and objectives. - Requires intervention from the Line Manager.
6	Moderate	- Short/medium term disruption of services. - Reduced ability to achieve the Municipality's strategy and objectives. - Requires intervention from the Head of Department.
7	Significant	- Significant long-term disruption of services. - Significantly reduced ability to achieve the Municipality's strategy and objectives. - Requires intervention from the Director.
8	Major	- Major event resulting in the long-term cessation of a core organisational activity. - Severely reduced ability to achieve the Municipality's strategy and inability to achieve certain objectives. - Material at organisation level. - Requires intervention from the Municipal Manager and Audit Committee involvement.
9	Critical	- Critical event resulting in the long-term cessation of several core organisational activities. - Drastically reduced ability to achieve the Municipality's strategy and inability to achieve the majority of objectives. - Requires intervention from Council.
10	Catastrophic	- Critical event resulting in the long-term cessation of the majority

		or all core organisational activities. - Inability to achieve the Municipality's strategy and objectives. - Requires intervention from Provincial and/or National Government.

The Municipality utilises a 10 point scale to estimate the likelihood of a risk event happening, as follows:

Likelihood factor	**Qualification criteria**
Certain 100%	The risk is almost certain to occur in the current circumstances. The risk is already occurring, or is likely to occur more than once within the next 12 months.
Almost certain 90%	Major financial, operational and/or reputational loss for the Municipality. Issues that should be addressed on Council level.
Probable 80%	Critical event resulting in intervention of executive management. Probable long-term cessation of core business activity material at organisation level requires Audit and Performance Audit Committee involvement
Expected 70%	The adverse event/opportunity can be expected
Possible 60%	It is more than likely that adverse event/opportunity can occur than not.
Potential 50%	There is a probability of occurrence
Occasional 40%	Unlikely, but can be reasonably expected to occur
Remote 30%	Event will be coped with in short term through normal management processes
Improbable 20%	Unlikely that adverse event/opportunity will occur.

Rare 10%	Highly unlikely that adverse event/opportunity will occur.

Risk Profile

The completed risk identification and assessment matrix will contain the Municipality's risk profile, which will be used to -

[a] determine the Municipality's priorities for risk treatment; and
[b] determine appropriate risk treatment actions to be taken.

6.2 Risk Evaluation

When the risk analysis process has been completed, it is necessary to evaluate the risks on the following scale:

Inherent risk will be evaluated as follows:

	Inherent Risk Exposure	Assessment	Definition
1	0 to 40	Low	Mostly acceptable - Low level of control intervention required, if any
2	40 to 60	Medium	Unacceptable level of risk, except under unique circumstances or conditions - Moderate level of control intervention required to achieve an acceptable level of residual risk
3	60 to 100	High	Unacceptable level of risk - High level of control intervention required to achieve an acceptable level of residual risk

Residual risks will be evaluated as follows:

	Residual Risk Exposure	Assessment	Definition
1	0 to 15	Low	Mostly acceptable level of residual risk - Requires minimal control improvements.
2	16 to 40	Medium	Unacceptable level of residual risk - Implies that the controls are either inadequate (poor design) or ineffective (poor implementation).Controls require some redesign, or a more emphasis on proper implementation.
3	40 to 100	High	Unacceptable level of residual risk -

			Implies that the controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). Controls require substantial redesign, or a greater emphasis on proper implementation.

Inherent risk exposure matrix

	Certain 100%	*Almost Certain 90%*	*Probable 80%*	*Expected 70%*	*Possible 60%*	*Potential 50%*	*Occasional 40%*	*Remote 30%*	*Improbable 20%*	*Rare 10%*
Catastrophic 100%	High 100	High 90	High 80	High 70	High 60	Medium 50	Medium 40	Low 30	Low 20	Low 10
Critical 90%	High 90	High 81	High 71	High 63	Medium 54	Medium 45	Low 36	Low 27	Low 18	Low 9
Major 80%	High 80	High 71	High 64	Medium 56	Medium 48	Medium 40	Low 32	Low 24	Low 16	Low 8
Significant 70%	High 70	High 63	Medium 56	Medium 49	Medium 42	Low 35	Low 28	Low 21	Low 14	Low 7
Moderate 60%	High 60	Medium 54	Medium 48	Medium 42	Low 36	Low 30	Low 24	Low 18	Low 12	Low 6
Marginal 50%	Medium 50	Medium 45	Medium 40	Low 35	Low 30	Low 25	Low 20	Low 15	Low 10	Low 5
Immaterial 40%	Medium 40	Low 35	Low 32	Low 28	Low 24	Low 20	Low 16	Low 12	Low 8	Low 4
Minor 30%	Low 30	Low 27	Low 24	Low 21	Low 18	Low 15	Low 12	Low 9	Low 6	Low 3
Insignificant 20%	Low 20	Low 18	Low 16	Low 14	Low 12	Low 10	Low 8	Low 6	Low 4	Low 2
Negligible 10%	Low 10	Low 9	Low 8	Low 7	Low 6	Low 5	Low 4	Low 3	Low 2	Low 1

- Control Effectiveness

The Municipality uses an effectiveness scale to estimate the effectiveness of the internal controls, as follows:

Effectiveness category	Qualitative criteria
Very effective 0.20	Controls are pro-actively managing the risk causes and impacts, mitigating the risk as much as economically possible.
effective 0.40	Controls are managing the risk causes and impacts as planned and results in effective risk mitigation.
Moderately effective 0.65	Controls are managing the risk causes and impacts to some extent but its risk mitigation is inadequate.
Ineffective 0.80	Controls do not manage the risk causes or impacts adequately, resulting in ineffective risk mitigation.
Inherent/moderate controls in place 0.9	Common, non-designed controls that exists in the normal course of operations (e.g lock outside door at end of work day)

Cost of Controls

The cost of controls includes all costs associated with maintaining the current controls for the financial year. Costs associated with replacing the controls when it reaches the end of its useful life are apportioned across financial years according to the expected useful life of the control components. Implementation costs are not included in the cost of controls. The current controls are already in place and the implementation costs have been incurred in the past

Cost of Control vs Cost of Risk

The cost of controls are adjusted for its effectiveness and compared to the financial exposure of the risk as indicated by the following formula:

Financial exposure - [cost of controls x (1 + current controls effectiveness rating)]

A positive value indicates that the cost of controls is less than the financial consequences of the risk (value creation). A negative value indicates the cost of controls is more than the financial consequences of the risk (value destruction) and a review of controls is required to align the cost of controls with the cost of risk.

Residual risk exposure matrix

	Inherent/moderate controls in place 0.9	*Ineffective 0.80*	*Moderately effective 0.65*	*Effective 0.40*	*Very Effective 0.20*
High	Priority 1 90	Priority 1 80	Priority 2 65	Priority 3 40	Priority 4 20
Medium	Priority 2 63.9	Priority 2 56.8	Priority 3 46.15	Priority 4 28.4	Priority 5 14.2
Low	Priority 2 44.1	Priority 4 39.2	Priority 4 31.85	Priority 5 19.6	Priority 5 9.8

Risk Appetite and Tolerance Levels

Risk appetite is the amount of residual risk that the Institution is willing to accept. The formulation of the risk appetite is typically closely aligned to the strategic planning process and is also inclusive of budgeting, and should be reviewed by management annually, with the annual risk review.

Management shall determine the risk appetite per identified risk and submit it to the Fraud and Risk Management Committee to advice and approve the level of risk appetite.

The risk appetite should be clearly stated and articulated so that it informs management decisions.

Risk appetite:

- Enables an improved consistency of decision making at all levels through improving risk understanding;
- Provides a framework for knowingly taking risk within defined boundaries;
- Improves the ability of the Fraud and Risk Management Committee as well as the Audit and Performance Audit Committee to challenge recommendations of management by providing a benchmark of what level of risk is defined as acceptable; and
- Derives real value from the assessment of risk over and above compliance purposes.

The risk appetite decided upon should be formally considered as part of the setting of business strategy, with capital expenditure and other strategic decisions reviewed against it as they arise. The Fraud and Risk Management Committee will review the risk appetite and recommend it to Council for approval.

The risk appetite is determined at 40.

6.3 Risk Treatment

Risk avoidance

Preventative maintenance and timely repair of assets, a high qualitative standard of workmanship and diligent compliance with the law are some of the strategies that could be implemented to avoid risk. However, the Municipality acknowledges that in some cases the risk event must first occur before any practicable steps can be taken to avoid the risk.

Risk acceptance/retention

It may be determined that it is more practical to retain a risk even though other methods of handling the risk are available. For example, the Municipality accepts/retains the risk of loss to stationary, petrol and diesel because of the difficulty of enumerating and evaluating all of these types of assets.

Risk mitigation/Loss prevention and reduction

When risk cannot be avoided, the effect of loss can often be minimised in terms of frequency and severity. Thus the municipality mitigates its losses.
Risk transfer

In some cases risk can be transferred to others, usually by contract. The most common method of risk transfer is to purchase of insurance since the policy actually shifts the financial risk of loss, contractually, from the Municipality to the insurance company.

6.4 Residual Risk Reporting

Different levels within Municipality need different information from the risk management process.

The Council, other political structures and the Municipality's political office-bearers should -

- know about the most significant risk facing the Municipality;
- ensure appropriate levels of awareness throughout the Municipality;
- be informed on the process of managing risks;
- know the importance of stakeholder confidence in the Municipality; and
- Be assured that the risk management process is working effectively.

Senior and Middle Management should -

- be aware of risks which fall into their area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them;

- have performance indicators which allow them to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention [e.g. forecasts and budgets];

- have systems which communicate variances in budgets and forecasts at appropriate frequency to allow action to be taken; and

- Report systematically and promptly to Fraud and Risk Management Committee any perceived new risks or failures of existing control measures.

Officials of the Municipality should -

- understand their accountability for individual risks;

- understand how they can enable continuous improvement of risk management response;

- understand that risk management and risk awareness are a key part of the Municipality's culture; and

- Report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

7. Risk Universe

Every municipality must define its own risk universe. The risk universe is a collection of risks built on environmental analysis and external benchmarking; therefore it is recommended that the Municipality must define its own risk universe.

The Overberg District Municipality uses the risk universe in the annual revision of its strategic risks against the top 10 risks in South Africa in terms of the Institute of Risk Management South Africa's (IRMSA) 2019 annual report.

8. Combined Assurance

Combined assurance will optimise and maximise the level of risk, governance and control oversight over the Municipality's risk landscape, by integrating, coordinating and aligning the risk management and assurance processes within the Municipality.

A Combined Assurance Model for the risks above the risk appetite will be created and updated quarterly to ensure the Municipality's most significant risks receive adequate assurance.

The combined assurance activities of the Municipality will be conducted in accordance with the Combined Assurance Policy Framework.

9. Business Continuity

Business continuity is an integral part of risk management.

In the event of extended service outages caused by factors beyond the Municipality's control, the Municipality must be able to restore services to the widest extent possible in a minimum time frame.

A Business Continuity Framework is in place to direct business continuity activities and a Business Continuity Committee has been established to oversee the execution of those activities.

10. Ethics

Risk management, even when software is used, is performed by humans.

The effectiveness of risk management activities is directly influenced by the ethical behaviour of the people responsible for risk management, which includes their professionalism and commitment in executing their risk management responsibilities.

A lack of ethics is a contributing factor to a variety of risks, either being the cause of the risk itself or the cause of ineffective control measures.

Therefore, risk management initiatives can only be successful in an environment of ethical behaviour with adequate ethics risk management processes.

Overberg District Municipality has a Code of Conduct and Code of Ethics for Municipal Staff in place to regulate the conduct and ethical behaviour expected in the workplace.

11. Policy review

This policy shall be reviewed annually to reflect the current stance on risk management within the Overberg District Municipality.

12. Date of last approval

APPROVED: COUNCIL MEETING HELD 18/06/2018, ITEM A262 (Version 4)

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