

XYZ INSTITUTION

Risk Management Policy

1. Introduction

The Accounting Officer¹ has committed the XYZ Institution² 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 56 of 2003.

2. Risk and Risk Management

Risk refers to an unwanted outcome, actual or potential, to the institution's service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present upside potential, which Management must be aware of and be prepared to exploit. Such opportunities are encompassed in this definition of risk.

Risk management is a systematic and formalised process instituted by the institution to identify, assess, manage and monitor risks.

2.1 Benefits of Risk Management

The XYZ Institution implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management will assist the institution 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.

¹ Accounting Officer refers to City/Municipal Manager of a municipality or Chief Executive Officer of a municipal entity.

² For the purposes of this guideline, the term "Institution" refers to Municipalities (Metropolitan, Local and District) and Municipal Owned Entities).

3. Purpose of the Policy

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

4. Scope of the Policy

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

5. The Policy

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

An entity-wide approach to risk management is adopted by the XYZ Institution, which means that every key risk in each part of the institution 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 institution's systems and processes, ensuring that our responses to risks remain current and dynamic. All risk management efforts will be focused on supporting the institution objectives. Equally, they must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

6. Role players

Every employee is responsible for executing risk management processes and adhering to risk management procedures laid down by the institution's management in their areas of responsibilities. These roles and responsibilities are stipulated in the Local Government Risk Management Framework \ Institution's Risk Management Framework \ Institution's Risk Management Strategy.

An entity-wide approach to risk management will be adopted by the Institution, which means that every key risk in each part of the Institution 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 Institution's systems and processes, ensuring that our responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the Institution's objectives. Equally, they must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

7. Policy review

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

Recommended by the Audit and Risk Committee:

Signature: _____

Date: _____

Approved by the Council /Board of Directors:

Signature: _____

Date: _____