CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
GROUP RISK AND ASSURANCE SERVICES
GROUP RISK MANAGEMENT FRAMEWORK

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GROUP RISK MANAGEMENT POLICY

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1. POLICY STATEMENT

The City Manager, as an Accounting Officer, has committed the City of Johannesburg Municipality (“the City”) 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, The Committee of Sponsoring Organisations of the Trade Commission (COSO) Enterprise Risk Management – Integrated Framework, Institute of risk management (IRM) Risk Appetite & Tolerance Guidance Paper and the King III Code on Corporate Governance, as well as ISO Risk Management Principles and Guidelines (ISO 31000:2009), and ISO:22301 standards of Business Continuity Management.

The holistic approach to risk management is adopted by the City, which means that every key risk in each part of the Department and Entity will be included in a structured and systematic process of risk management. It is expected that the risk management processes is embedded into the City’s systems and processes thus ensuring that the responses to risk remain current and dynamic.

All risk management efforts should be focused on supporting the City’s Mission and Vision, that’s include Mayoral Priorities towards achieving Joburg Strategy 2040. Equally to ensure compliance with relevant legislation and to fulfil communities and other stakeholders expectations.

The realisation of City’s Mission and Vision, including Joburg Strategy 2040 depends on the capabilities that the city has effected in order to manage the threats / uncertainties that could hinder the achievement of those objectives. A sound risk management principle enables the City to anticipate and respond to all the threats/ uncertainties effectively and to make most informed decisions under conditions of uncertainty.

The City acknowledges that the adoption of a strategic and formal approach to Enterprise Risk Management will improve decision-making, enhance outcomes and accountability.

In implementing this Policy, the City acknowledges and commits to:-

- Enterprise risk management as an integral part of all decision-making processes
• Applying a structured risk management program to minimize reasonably foreseeable disruption to service delivery, harm to people, and damage to the environment and property.
• Identifying and taking advantage of opportunities as well as minimizing adverse effects.
• Training all its employees to implement risk management effectively.
• Striving to continually improve risk management practices.
• Ensuring that the main risks that represent opportunities or hazards to meeting the City’s objectives will be explicitly identified, assessed, controlled, monitored and reported.
• Ensuring that risks are prioritized and attention will be focused on these objectives.
• Identifying and implementing a control system to cover the risks.
• Adoption of Group Risk Management Framework as City's official document to be implemented city-wide

The effectiveness of efforts to entrench risk management culture City-wide, rests entirely on the commitment of the Executives and Senior Management, officials and agents acting on behalf of the Council. Commitment to risk management enhances effective service delivery and good performance.

2. POLICY CONTEXT

In terms of sections 62(1)(c)(i) and 95(c)(i) of the Municipal Finance Management Act (No 56 of 2003) (hereafter the MFMA), the Accounting Officer is required to ensure that the City has and maintains an effective, efficient and transparent systems of risk management. Further, section 3.2.1 of the Treasury Regulations requires that the Accounting Officer should ensure that the identification of risks is conducted regularly and that a risk management strategy (Framework) is in place.
3. PURPOSE

The purpose of this Policy is to articulate the City’s risk management philosophy to Executives, Management and all officials. This Group Risk Management Policy forms part of the City’s internal control and governance arrangements. It sets out a high level overview for managing risk within the City. The objective is to pursue a structured approach to the effective management of risk in pursuit of public service delivery. This approach is set out in the Group Risk Management Framework, which details the continuous processes of integrated activities by which the potential impact of risks to the achievements of the organisation’s objectives should be identified and managed.

This policy recognises that risk is an inherent part of City’s business operations and processes, presenting both threats and opportunities. To achieve its goals, including meeting the expectations of the shareholders, the City must pursue opportunities and make informed decisions that involve effective management of risks.

The Policy is to be read in conjunction with the Group Risk Management Framework.

4. POLICY SCOPE AND APPLICATION

This Policy applies throughout the City, in as far as the implementation of risk management is mandatory;

- Core Administration (City Departments);
- Municipal Entities (MEs);
- All employees and officials of the City and its MEs irrespective of their location, function grade or standing;
- Executive Mayor, City’s Council, and Board of Directors at MEs;
- Internal assurance functions;
- Governance oversight committees;
- All City’s Projects and Contracts (New and existing);
- Information and Communication Technology (ICT).

In this case, all the employees within the city, at all levels, are compelled by this policy, to commit and apply risk management principles and methodology as set out by CoJ Group.
Risk Management Framework and BCM Framework. The entities are expected to adopt both the policy and the framework, and implement them in alignment with entity’s functionality.

A city-wide systematic approach to risk management should be applied by all Entities, therefore, Entities risk management strategies should be conducted in alignment with City’s standardized risk management processes, and be reported to the City on a monthly and quarterly basis. This is to ensure responses to risk remain current and dynamic, and that all risk management efforts will be focused on supporting the City’s objectives. Equally, the entities must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

In successful implementation of risk management principles and processes, the City commits to:

a) Effective, Efficient and Economical allocation of city’s resources to enhance value-add service delivery;

b) management system containing the appropriate elements aimed at minimizing risks and maximizing opportunities in the interest of all the stakeholders;

c) Education and training of all staff to ensure continuous improvement in knowledge management, skills and capabilities contributing towards service delivery and facilitating stakeholders’ expectations;

d) Proper safeguarding of assets

e) More informed decision Making

f) Information security

5. POLICY OBJECTIVE

The object of this Policy is to confirm and communicate the City's commitment to risk management to assist in achieving its strategic and operational goals and objectives, that's includes Mayoral Priorities. To establish a consistent approach and reporting protocol on risk management activities throughout the City. To ensure that all significant risks are identified, assessed, treated and reported to the Council, the City Manager and the Oversight committees in a timely. To assign the accountability and responsibilities to
the Executives and Senior Management, including all staff for the management of risks within the acceptable levels.

6. GROUP RISK MANAGEMENT FRAMEWORK

This Group Risk Management Policy has been designed to align with City’s Group Risk Management Framework. The risk management framework adopted by the City is based upon good practices from COSO, the ISO 31000/2009 Risk Management Principles and Guidelines. Group Risk Management Framework follows a comprehensive risk management approach which provides consistent guidance to the Executives, Senior Management and other staff on identifying, analysing, evaluate, monitor, and treat risks. (Refer Group Risk Management Framework). Status of the risks and risk response plans are regularly reported to Group Risk and Governance Committee (GRGC), Mayoral Committee Audit & Risk Committees, and the Council. The risks are identified on a ‘top-down’ and ‘bottom up’ approach.

City’s Risk Management Cycle Process;
The Group Risk Management Framework Policy is geared to achieve the City’s objectives as determined in the following five categories:

(a) **Strategic** – High-level goals, aligned with and supporting City’s mission and vision
(b) **Operations** – Effective and efficient use of resources
(c) **Safeguarding** – Safeguarding of assets
(d) **Compliance** – Compliance with applicable laws and regulations.
(e) **Reporting** – Reliable and accuracy of reporting

7. **INTEGRATION OF RISK MANAGEMENT AND PERFORMANCE**

This policy requires Senior Management and Executives at Departments and Entities, to ensure the direct linkage and integration of Risk Management processes and City’s Performance Management Systems in order to drive dynamic achievement of objectives and goals, including Mayoral Priorities as follows;

1. Promote economic development and attract investment towards achieving 5% economic growth that reduces unemployment by 2021.
2. Ensure pro-poor development that addresses inequality and poverty and provides meaningful redress.
3. Create a culture of enhanced service delivery with pride.
4. Create a sense of security through improved public safety.
5. Create an honest and transparent City that fights corruption.
6. Create a City that responds to the needs of citizens, customers, stakeholder and businesses.
7. Enhance our financial sustainability.
8. Encourage innovation and efficiency through the Smart City programme.
9. Preserve our resources for future generations.

8. **CITY-WIDE RISK UNIVERSE**

Due to nature and extent of the City’s business operations, the City's risk universe is diverse and complex. An overview of the City’s Risk Universe, including Mayoral Priorities is illustrated on the diagram below;
9. RISK APPETITE AND RISK TOLERANCE

Risk appetite, is established by executive management and approved by Council. This policy emphasises that the Council should decide on the organisation’s risk appetite, that is, those risks Council is willing to take and those will not take in the pursuit of city’s goals and objectives. Group Risk Management Framework provide guidance in determining risks that are regarded as low probability but high severity, and those risks that should receive specific attention, including the recognition on probability of their occurrence.
10. BUSINESS CONTINUITY MANAGEMENT

Business Continuity Management is a core component of good governance and is integral to City’s risk management principles. The implementation of City’s BCM Framework is underpinned by this Policy. Business Continuity focuses on City’s capability to safeguard assets, to protect employees and community, to ensure continuity service delivery, to restore operations should the disruption occur. City’s First priority in the case of a disruptive event is the immediate and ongoing safety of community and staff. Emergency management are prepared for, and respond to emergency situations.

The City’s business continuity management addresses the consequences of the disruption, the impact on the availability of operations, infrastructure, ICT, and people. BCM is an essential part of City’s approach to effective risk management. The principles of BCM framework encompass elements of:

• Business Continuity Management Plans;
• Recovery and Resumption Strategies;
• Disaster Management Plan;
• Strike Action Plan;
• Testing and Exercising

11. ASSURANCE ON RISK MANAGEMENT PROCESSES

The adequacy and effectiveness of the risk management process will be independently evaluated from time to time, as considered appropriate by the Group Risk and Governance Committee and by the Group Internal Audit Service Unit, as the independent assurance provider to management and the oversight Committees.

The Annual Assurance Plan will be aligned to the risk profile and the assurance process will include the following:

• A review of the adequacy of design and effectiveness of current controls to mitigate key risks; and
• Assurance on management’s implementation of further actions to mitigate key risks identified through the risk management process.
Assurance model which includes that respective levels of assurance as follows:

- First level of defence – internal management
- Second level of defence – risk management and peer reviews and benchmarking
- Third level of defence – external review processes provided by internal and external audits.
- Fourth level of defence - Oversight Committees (Mayoral Committee, GRCG, Council, GAC, GPAC, MPAC, Governance S79).

12. COMBINED ASSURANCE

Greater emphasis is placed on the Council to ensure that it is satisfied with the management of risk and internal controls as a cornerstone of corporate governance.

Combined assurance requires active consideration of the assurance that Council receives on the risks to which the organisation is exposed. To meet this requirement, the Council will rely on assurance providers to carry out the following (inter alia):

- Evaluate the City’s governance processes.
- Objectively assess the effectiveness of risk management and internal controls.
- Analyse business processes and controls.
- Have an assurance plan that is informed by strategy and by risks.

This section is to be read in conjunction with the Group Combined Assurance Framework.

13. ROLES AND RESPONSIBILITIES

The Group Risk Management and Advisory Services Unit is responsible to facilitate the effective implementation of this Policy, through the guidance provided in the related Group Risk Management Framework and BCM Framework in interaction with the respective core departments and MEs, who in turn are responsible to ensure that it is effectively implemented in their areas of responsibility.
In terms of this Policy, the Council has overall responsibility for risk management strategies within the City, while the Group Risk and Governance Committee provides oversight on the implementation of the Policy as well as the frameworks (Group Risk Management Framework and BCM Framework). The Executives and Senior Management are responsible and accountable to implement and practices good risk management practices within their areas of responsibility.

<table>
<thead>
<tr>
<th>Governance Structure</th>
<th>Roles / responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council and Mayoral Committee</td>
<td>o Oversight on the City Wide risk management strategies and City’s risk profiles. Accountability to MFMA, and assurance to stakeholders.</td>
</tr>
<tr>
<td>Council Section 79 Committee</td>
<td>o Oversight over the sectorial risk profile and appropriate risk management strategies.</td>
</tr>
<tr>
<td>Group Audit Committee (GAC) &amp; Group Performance Audit Committee (GPAC)</td>
<td>Provides Assurance on City-Wide ERM process and strategic and operational risk profiles.</td>
</tr>
</tbody>
</table>
• Oversee City’s risk management function  
• Oversee City’s risk management function  
• Discuss and review Group Risk Management Framework, Policy and BCM Framework  
• Annually review the City’s approach to risk management and recommends changes and improvements to Mayoral Committee  
• Provide assurance to the Mayoral Committee on effective functioning of risk management processes City-wide  
• Oversees application of the combined assurance model to ensure a coordinated approach to all assurance activities  
• Reviews and approves City-wide risk management plan Ensures the combined assurance model to ensure a coordinated approach to all assurance activities  
• Ensures integrated reporting on risk management processes including ME’s |
| City Manager | o Set the ‘tone’ at the top on risk management principles, processes and governance structures |
| Business Units | o Responsible to design a risk controlled environment within day to day business operations, implement risk tracking model in order to address and manage identified risks to an acceptable levels, the accountability is to regularly report to Senior Management on effective management of identified risks within business units. |
| Group CFO | Accountable to provide guidance and advisory to the City in regard to;  
o Financial risk management strategy.  
o Funding and resourcing key risk mitigation strategies. |
### ME Board of Directors

- Oversee the effective Governance of ERM structures within the Municipal Entity
- Provide oversight on Entity’s risk management strategies, processes and systems
- Ensures effective implementation of Group Risk Management Policy, Framework and BCM Framework
- Understand the entity’s philosophy and approve Entity’s risk appetite and tolerance levels
- Review the entity’s portfolio of risk and consider it against entity’s risk appetite and tolerance
- Provide guidance on most significant risks and ensure that management is responding appropriately
- Understanding and monitoring the status of the material/significant risks and uncertainties facing the Entity
- Accountability to the GRMC and GAC on ERM through the ME Audit & Risk Committee
- Oversee the relationship between the Entity’s risk management structures and the City’s risk management structures
- Ensures the combined assurance model to ensure a coordinated approach to all assurance activities
- Reviews and approve Entity’s risk management plan
- Reviews the expertise, resources and experience of Entity’s risk management function
- Assessment of Management’s report or judgement on the effectiveness of the implementation of the risk management and internal control system;
- Receiving assurance from the CEO/MD in regard to the annual declaration in relation to the efficiency and effectiveness of risk management

### ME Audit and/or Risk Committee

- Provide Assurance over Entity’s Enterprise Risk Management processes
- Assists the Board in discharging its responsibilities (as detailed in the ARC Charter) by monitoring and advising to the Board on matters relating to risk management
- Overseeing management’s actions in the identification, management and reporting of material/significant business risks.
- Oversee Entity’s risk management function
- Ensure effective implementation of Group Risk Management Framework, Policy and BCM Framework
- Annually review the Entity’s approach to risk management and recommends changes or improvements to Management and the Board

### Executives and Senior Management (Managing Director/Chief Executive Officer/Executive Directors, Head of Departments)

- Senior Management has responsibility to implement risk management processes and integrating it into the day-to-day activities.
- Responsible for maintaining the risk management procedures that will assure Council and the Board that all business risks are managed appropriately
- Designing and implementing a risk management systems to effectively manage all business risks in line with the Group Risk Management Policy, Framework and BCM Framework
- Implement controls and strategies for the management of identified risks
- Ensure regular reporting to GRGC, Mayoral Committee, GAC, and the Board on effectiveness of managing business risks and details of risk response strategies in place thereof
- Allocation of risk owners to implement controls and strategies to manage and mitigate the risks
- Periodic review of Departmental/Entity’s risk profile, fostering a risk aware culture
<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Risk and Audit Services (GRAS)</td>
<td>o Responsibility to facilitate risk management processes City-wide and to ensure effective implementation thereof; o Facilitate the implementation of Group Risk Management Framework Policy and BCM Framework throughout the City-wide (Departments &amp; Entities) o Embed risk management strategies City-wide and to leverage its benefits to enhance performance. o Provide advisory on development and effective implementation of risk responses/treatments o Monitor and analyse all City’s risk profiles and report to City Manager, the Council and GRGC thereof; o Provide advisory to management on determination of risk appetite and tolerance</td>
</tr>
<tr>
<td>Risk Champions</td>
<td>o Responsibility to implement Group Risk Management Policy and Framework, and BCM framework at their areas of responsibility in conjunction with GRAS. o Identify and evaluate the significant risk exposures and facilitate the management of those risks therefrom. o Provide progress reports on risk profiles to GRAS on a monthly and quarterly basis</td>
</tr>
<tr>
<td>Chief Internal Auditors &amp; Internal Audit function</td>
<td>o Responsible for providing an independent and objective assurance to City Manager, Mayoral Committee, Council, and the Board that financial and operational controls are designed to manage City’s risks and are operating in an efficient, effective and ethical manner. o Provide assurance on effective implementation of Group Risk Management Policy and Framework throughout the City</td>
</tr>
<tr>
<td>All City Employees</td>
<td>o Every employee within the City is responsible for the effective management of risk, including identifying risks, responding to risks and reporting</td>
</tr>
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</table>
City Risk Management Governing and Reporting Structure;

14. AUTHORITY AND APPROVAL

14.1 Ownership

Ownership of this Policy vests with the Group Risk and Governance Committee, this in turn, has been delegated to the Group Risk and Assurance Services Department.

14.2 Approval

This Framework should be reviewed and updated annually by GRAS department and submitted to Group Risk and Governance Committee for approval.

Approved