



TSHIPING

Water User Association

RISK MANAGEMENT POLICY

***A POLICY DOCUMENT WITH RESPECT TO THE
DETERMINATION OF RISK ASSOCIATED WITH
OPERATIONS***

Policy Document:

(2014)

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LIST OF ABBREVIATIONS

Exco	Executive Committee
IAC	Internal Audit Committee
Manco	Management Committee
PFMA	Public Finance Management Act
TWUA	Tshiping Water User Association
WUA	Water User Association

1 Introduction

The Tshiping Water User Association (TWUA) has committed the Executive Committee (Exco) to a process of risk management that is aligned to the principles of good corporate governance, as supported by the Public Finance Management Act (PFMA), Act 1 of 1999 as amended by Act 29 of 1999.

2 Risk and Risk Management

Risk refers to an unwanted outcome, actual or potential, to the WUA's operational 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 formalized process instituted by the TWUA to identify, assess, manage and monitor risks.

3 Key Definitions

Risk management definitions can be found in the definitions section of the risk management standard. The key definitions for this policy follow:

- Risk

The chance of something happening that will have an impact on the achievement of the WUA's objectives. Risk is measured in terms of consequences and likelihood.

- Risk Assessment

The overall process of risk analysis and evaluation. This is the shaded component of the schematic diagram in this policy.

- Risk Management

The culture processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the operational environment.

- Risk Management Process

The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating of risk.

4 Benefits of Risk Management

The TWUA implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management will assist the WUA 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 rigor and analysis;
- innovation;
- prevention of fraud and corruption;
- better value for money through more efficient use of resources; and
- better outputs and outcomes through improved project and program management.

5 Purpose of the Policy

The purpose of this Policy is to articulate the WUA's risk management philosophy. The TWUA 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.

The aim of this policy is not to eliminate risk, rather to manage the risks involved in the WUA activities to maximize opportunities and minimize adversity. Effective risk management requires.

- A strategic focus,
- Forward thinking and active approaches to management
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the event that mission critical threats are realized.

Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

6 Scope of the Policy

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

7 The Policy

The realization the WUA's strategic plan depends on the WUA being able to take calculated risks in a way that does not jeopardize the direct interests of stakeholders. Sound management of risk will enable the WUA to anticipate and respond to changes in the operational 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 minimizing risks and costs in the interest of all stakeholders;
- Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholders expectations; and
- Maintaining an environment, that promotes the right attitude and sensitivity, towards internal and external stakeholder satisfaction.

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

8 Role players

Every employee is responsible for executing risk management processes and adhering to risk management procedures laid down by the TWUA in all areas of responsibility.

8.1 Risk Management Oversight and Support

8.1.1 Management Committee

The Management Committee (Manco) takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk

management are in place to protect the WUA against significant risks. The Manco is the custodian of the Risk Management Strategy, and coordinator of risk management activities throughout the WUA. The primary responsibility of the Manco is to bring to assist the WUA to embed risk management and leverage its benefits to enhance performance.

8.1.2 Audit Committee

The Audit Committee is an independent committee responsible for oversight of the WUA's control, governance and risk management. The responsibilities of the Audit Committee with regard to risk management are formally defined in its charter. The Audit Committee provides an independent and objective view of the department's risk management effectiveness.

8.1.3 Risk Management Committee

The Risk Management Committee is appointed by the Accounting Officer / Authority to assist the WUA to discharge their responsibilities for risk management. The Committee's role is to review the risk management progress and maturity of the WUA, the effectiveness of risk management activities, the key risks facing the WUA, and the responses to address these key risks. The responsibilities of the Risk Management Committee are formally defined in its charter.

8.2 Risk Management Implementers

8.2.1 Accounting Officer

The Accounting Officer is the ultimate Chief Risk Officer of the WUA and is accountable for the WUA's overall governance of risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

8.2.2 Management

Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management into the operational routines.

8.2.3 Other Officials

Other officials are responsible for integrating risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

8.3 Risk Management Assurance Providers

8.3.1 Internal Audit Committee

The role of the Internal Audit Committee (IAC) in risk management is to provide an independent, objective assurance on the effectiveness of the WUA's system of risk management. The IAC must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

9 Generic Sources of Risk and their Areas of Impact

Identifying source of risk and areas of impact provides a framework for risk identification and analysis. A generic list of sources and impacts will focus risk identification activities and contribute to more effective risk management.

9.1 *Generic Source of Risk*

Each generic source has numerous components, any of which can give rise to a risk.

9.1.1 Generic sources of risk include:

Commercial and legal relationships including but not limited to contractual risk, product liability, professional liability and public liability.

Economic circumstances:

These can include such sources as currency fluctuations, interest rate changes,

- Human behaviour such as riots, strikes, sabotages.
- Natural Events. These can include fire, water damage, earthquakes, vermin, disease and contamination.
- Political Circumstances such as legislative changes or changes in government policy that may influence other sources of risk.
- Technology and Technical Issues. Examples of this include innovation, obsolescence and reliability.
- Management Activity and Control such as poor safety management, the absence of control and inadequate security.
- Individual Activity including, misappropriation of funds, fraud, vandalism, illegal entry, information misappropriation and human error.

9.1.2 Areas of Impact

A source of risk may impact on one area only or several areas. Areas of impact include:

- Asset and resource base including personnel,
- Revenue,
- Cost both direct and indirect,
- People,
- The community,
- Performance,
- Timing and schedule of activities,
- The environment,
- Intangibles such as reputation, goodwill and the quality of life, and
- Organizational behaviour.

10 Procedure for Risk Management

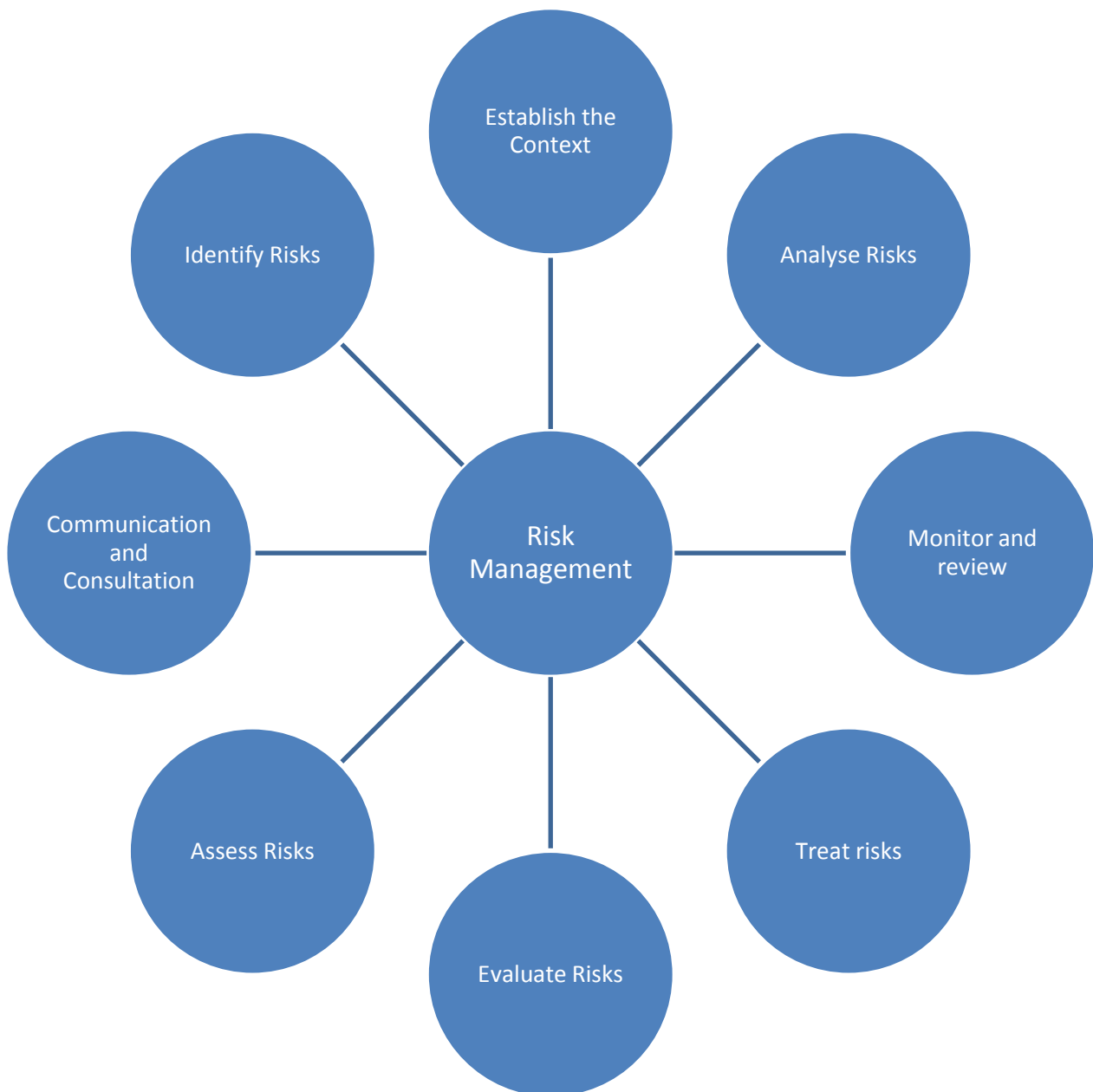
10.1 *Describing the Procedure*

The Tshiping Water User Association will maintain procedure to provide with a systematic view of risk faced in the course of all activities. This will require the WUA to:

- **Establish a context.** This is the strategic, organizational and risk management context against which of the risk management process in the WUA will take place. Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
- **Identify Risks.** This is the identification of what, why and how events arise as the basis for further analysis.
- **Analyse Risks.** This is determination of exciting controls and the analysis of risks in terms of consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequences and like hood are combined to produce an estimated level of risk.

- **Evaluate Risks.** This is a comparison of estimated risk levels against pre- established criteria. This enables risks to be ranked and prioritized.
- **Treat Risks.** For higher priority risks, the WUA is required to develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored.
- **Monitor and Review.** This is the oversight and review management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
- **Communication and Consultation.** Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

11 Schematic Presentation of the Procedure



12 Policy review

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

Recommended by the Internal Audit Committee:

Signature: _____

Date: _____

13 RISK IDENTIFICATION AND MANAGEMENT TABLE

Step 1: Risk Identification	Step 2: Risk Assessment		Step 3: Risk Management				
List of Possible Risks	Likelihood H/M/L	Impact H/M/L	What are we already doing about it? (mitigating factors)	What more can we do about it?	Timescale	Person Responsible	Reviewed Level of Risk

Date to be reviewed	
Person/Group responsible for review	

14 RISK DEFINITION AND CLASSIFICATION

LIKELIHOOD		
Level	Descriptor	Description
A	Almost Certain	Is expected to occur in most circumstances
B	Likely	Will probably occur in most circumstances
C	Possible	Might occur at some time
D	Unlikely	Could occur at some time
E	Rare	May occur only in exceptional circumstances

IMPACT		
Level	Descriptor	Example Detail Description
1	Insignificant	Low financial loss, no disruption to capability, no impact on community standing.
2	Minor	Medium financial loss, minor disruption to capability, minor impact on community standing.
3	Moderate	High financial loss, some ongoing disruption to capacity, modest impact on community standing.
4	Major	Major financial loss, ongoing disruption to capability, major impact on community standing.
5	Catastrophic	Mission critical financial loss, permanent disruption to capability, and ruinous impact on community standing.

15 Qualitative Risk Analysis Matrix – Level of Risk

For each component of the activity subject to a risk analysis, department should evaluate the likelihood and consequences as per the matrix below.

CONSEQUENCES					
A - (Almost Certain)	H	H	E	E	E
B - (Likely)	M	H	H	E	E
C - (Moderate)	L	M	H	E	E
D - (Unlikely)	L	L	M	H	E
E - (Rare)	L	L	M	H	H

Legend

- E: Extreme risk; immediate action required.
- H: High risk; Senior Management attention needed.
- M: Moderate risk; Management responsibility must be specified.
- L: Low risk; Manage by routine procedures.

16 RISK REGISTER TEMPLATE

No	Link to Objectives	Risk Event / Potential	Risk Category	Impact	Likelihood	Inherent Risk	Risk Mitigation / Description	Perceived Control Effectiveness	Residual Risk	Action to Improve Management of risk	Comments

17 RISK TREATMENT SCHEDULE AND PLAN

DATE OF REVIEW: _____ COMPILED BY: _____ DATE: _____

REVIEWED BY: _____ DATE: _____ FUNCTION / ACTIVITY _____

The risk in prior order from risk register	Possible treatment options	Preferred options	Risk rating after treatment	Result of cost benefit analyses A: Accept B: Reject	Person responsible for implementation of option	Timetable for implementation	How will this risk and the treatment options be monitored

17.1 RISK TREATMENT OPTIONS

17.1.1 Actions to Reduce or Control Likelihood

These can include but are not limited to:

- Review and compliance program;
- Contract conditions;
- Formal reviews of requirements, specifications, design, engineering and operations;
- Inspection and process controls;
- Investment and portfolio management;
- Project management;
- Quality assurance, management and standards;
- Research and development; technological development;
- Structured training and other programmes;
- Effective governance processes;
- Strategic, operational and tactical planning processes;
- Supervision;
- Testing;
- Organizational arrangement and
- Technical controls.

17.1.2 Procedure to Reduce or Control Consequence

These can include but are not limited to:

- Contingency planning ;
- Contractual arrangements;
- Contract conditions;
- Design Features;
- Business continuity and disaster recovery plans;
- Engineering and structural barriers;
- Fraud control planning;
- Minimizing exposure to source of risk;
- Portfolio planning;
- Pricing policy and controls;
- Separation or relocation of activities and resource;
- Succession planning.
- Insurance and
- Public Relations.

18 RISK MANAGEMENT DOCUMENTATION

To manage risk properly, appropriate documentation is required. The staff members conducting or accountable for the activity shall in the first instance conduct the risk assessment and complete the documentation. The risk assessment and documentation is to be reviewed and accepted by the manager or next in line supervisor accountable for the activity. Where technical expertise or central authority is required, the risk assessment will also be reviewed and countersigned by that person accountable.

The WUA is required to maintain risk register insofar as risk impact on their respective responsibilities. Information from these register is to be given to the Internal Audit Committee, who will develop and maintain a consolidated wide risk register. As a minimum, the risk register, treatment schedule and action plan will be maintained. Specimens of these documents are available in this policy document and are also available in electronic format.

For each risk identified, risks register records:

- Link to objectives;
- Risk Event / Potential;
- Risk Category
- Impact and likelihood;
- Inherent Risk
- Risk Mitigation / Description internal control
- Perceived Control Effectiveness
- Residual Risk
- Action to improve management of the risk

A risk treatment and action plan documents the managerial controls to be adopted and contains the following information:

- Who has responsibility for the implementation of the plan;
- What resources are to be used;
- Budget allocation;
- Implementation timetables; and
- Details of the control mechanism.

EFFECTIVE DATE:

This policy has been approved by the requisite majority of the members at a Manco meeting held on -

Dated at _____ this _____ day of _____ 2014.

Manco – Chairperson

CEO