

# RISK MANAGEMENT POLICIES AND PROCEDURES

## RISK MANAGEMENT STRATEGY

## Notice

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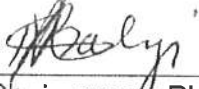
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## Approval

The signatories hereof, being duly authorized thereto, by their signatures hereto authorize the execution of the work detailed herein, or confirm their acceptance of the contents thereof and authorize the implementation/adoption thereof, as the case may be, for and on behalf of the parties represented by them.

  
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Chief Executive Officer: PHA  
J.T. Maimela

25 AUGUST 2013  
Date

  
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Board Chairperson: PHA  
MRS N.A. Baloyi

25 AUGUST 2013  
Date

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## 1. Introduction

Risk management is an important aspect of all our lives. We are exposed to risk both in terms of **threats** to service provision and from the potential of **lost opportunities**. It is essential that we can demonstrate to our tenants that we are fully considering the implications of risk as we deliver our business for the benefit of the residents of our community.

Ultimately, effective risk management will help to ensure that the Polokwane Housing Association (PHA) maximises its opportunities, and minimises the risks it faces, thereby improving its ability to deliver its priorities and improve outcomes.

## 2. Statement of Commitment

PHA is committed to adopting best practice in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level or eliminated, and also maximise opportunities to achieve its objectives and deliver core service provisions. It is acknowledged that some risks will always exist and will never be eliminated.

The company's risk management objectives are a long term commitment and an inherent part of good management and governance practices. The objectives need the full support of members and active participation of managers.

PHA is bound by legal obligation to provide for the health and safety of its members, employees and those that it serves. PHA is also obliged to protect its material assets and to minimise its losses and liabilities.

## 3. Definitions

### Governance

Governance is the system by which all organisations and fulfil their purpose and achieve the intended outcomes for citizens and service users, by operating in an effective, efficient, economic and ethical manner. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for communities and service users.

Ensuring that the right thing is done in the right way, for the right people, in an open, honest and timely manner.

#### 4. Risk

Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. The objective of risk management is to secure the assets and reputation of the organisation and to ensure the continued financial and organisational well-being of the company.

Risk is the **chance** of something happening that will have an **impact** on the **company's business or objectives**.

#### 5. Risk Management

Good risk management is about identifying what might go wrong, what the consequences might be of something going wrong and finally, deciding what can be done to reduce the possibility of something going wrong. If it does go wrong, as some things inevitably will, making sure that the impact is kept to a minimum.

Risk management should ensure that an organisation makes cost effective use of a risk framework that has a series of well-defined steps. The aim is to support better decision making through a good understanding of risks and their likely impact.

Risk management should be a continuous and developing process which runs throughout the organisation's strategy and the implementation of that strategy, methodically addressing all risks surrounding the company's activities past, present and future.

The process of identifying and managing risk is to increase the probability of success and reduce the opportunity of failure.

#### 6. PHA's Objectives

The essential focus of the King III Code is that the board should "exercise leadership to prevent risk management from becoming a series of activities that are detached from the realities of the company's business." In this context, risk is positioned as a cornerstone of corporate governance and risk governance is substantially different to the requirement to implement risk management. Greater emphasis is placed on the board to ensure that it is satisfied with the management of risk.

PHA is committed to establishing and maintaining a systematic approach to the identification and management of risk.

PHA's risk management objectives are to:

- Ensure that risk management is clearly and consistently integrated and evidenced in the culture of the company;
- Manage risk in accordance with best practice;
- respond to changing social, environmental and legislative requirements;

Consider compliance with health and safety, insurance and legal requirements as a minimum standard;  
Prevent death, injury, damage and losses, and reduce the cost of risk;  
Inform policy and operational decisions by identifying risks and their likely impact; Raise awareness of the need for risk management by all those connected with the company's delivery of service.

These objectives will be achieved by:

- Clearly defining the roles, responsibilities and reporting lines within the company for risk management;
- Including risk management issues when writing reports and considering decisions;
- Continuing to demonstrate the application of risk management principles in the activities of the company, its employees and members;
- Reinforcing the importance of effective risk management as part of the everyday work of employees and members;
- Maintaining a register of risks linked to the company's strategic business, corporate and operational objectives;
- Maintaining documented procedures of the control of risk and provision of suitable information, training and supervision;
- Maintaining an appropriate system for recording health and safety incidents and identifying preventative measures against recurrence;
- Preparing contingency plans to secure business continuity where there is a potential for an event to have a major impact upon the company's ability to function; and
- Monitor arrangements continually and seek continuous improvement.

## 7. PHA's Approach

It is essential that a single risk management approach be utilised at all levels throughout PHA. By effectively managing our risks and opportunities, which is all part of good governance, we will be in a stronger position to deliver our objectives, provide improved services to the public, work better as a partner with other organisations and achieve value for money. This approach to risk management will inform the company's business processes, including:-

- Strategic planning
- Financial planning
- Service planning
- Policy making and review
- Performance management
- Project management

For those with responsibility for achieving objectives, responsibility also exists for identifying and assessing risks and opportunities; developing and implementing controls and warning mechanisms; and reviewing and reporting on progress. The identified risks and relevant control measures are managed using a database of the company's Risk Registers.

Some objectives could be reliant upon external groups that PHA may work with such as Polokwane municipality, CoGSTA, contractors etc. This partnership could affect the achievement of an objective and the risk management process has therefore been

incorporated into the way the company works within these partnerships through the Risk Management Framework.

The management of risk is an integral part of corporate policy decisions and the initiation of major projects, which will include a statement on risk to help inform the decision making process. This will assist members and officers to ensure that new risks are detected and managed by providing more detail on the process for managing risk, where each stage builds upon the other and provides basic practical guidance on how to identify, assess and treat risks, and monitor their progress. To assist with this approach to risk management and to ensure consistency across the company, a guidance document, the Risk Management Framework on the risk management process has been prepared, which will be reviewed on an annual basis and reported to the Group Risk Committee and Audit Committees for approval and adoption.

## 8. Roles and Responsibilities

Responsibility for risk management should be a discipline exercised throughout PHA. Clear identification of roles and responsibilities will ensure the successful adoption of risk management and demonstrate that it is embedded in the culture of the company.

### **Role players and responsibilities**

Effective risk management is most effective when performance expectations are clearly defined, communicated and integrated into performance agreements, and the responsible persons perform to these expectations.

The people responsible for effective risk management can be categorised into three distinct categories, namely implementors, support and oversight:

#### **Implementors**

##### **Accounting Officer**

The Accounting Officer is ultimately responsible for risk management within the institution. The Board approves the risk management policy and strategy for the institution and provides leadership and guidance for their implementation. The Accounting Officer is accountable to the Board regarding the effectiveness of the risk management process.

##### **Management**

Management owns the risks, thus taking ownership for management of institutional risks. Management are accountable to the Accounting Officer to integrate the principles of risk management into their daily routines to enhance the achievement of their service delivery objectives

##### **Other personnel**

Other Personnel are accountable to line management to integrate the principles of risk management into their daily routines to enhance the achievement of their functional objectives.

##### **Support**

## **Chief Executive Officer**

The Chief Executive Officer provides specialist expertise in providing a comprehensive support service to ensure systematic, uniform and effective enterprise risk management and plays a vital communication link between operational level management, senior management, the group management committee and other relevant committees. The Chief Executive Officer is thus the custodian of the effective risk management framework, the co-ordinator of risk management throughout the institution and the institutional advisor on all risk management matters.

## **Board of Directors**

The Board is accountable to the Municipal Council in terms of the achievement of the goals and objectives of the institution. In this context the Board should take an interest in effective risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the institution.

## **Internal Auditors**

Internal Auditors are responsible for providing independent assurance on the effectiveness of risk management in the institution. This involves providing assurance that all material risks have been identified and assessed and that control systems implemented to treat such risks are both adequate and effective.

## **Risk Committee**

The Risk Committee is responsible for oversight of the quality, integrity and reliability of the institution's risk management processes and risk responses. An important part of the Committee's mandate is to provide recommendations to the Accounting Officer to continuously improve the management of specific risks as well as the overall process of risk management.

## **Audit Committee**

The Audit Committee is responsible for assisting the Accounting Officer in addressing its oversight requirements of risk management and evaluating and monitoring the institution's performance with regard to risk management.

## **Auditor-General**

The Auditor-General is responsible for providing an opinion on:

- The reasonableness of the financial statements of the institution;
- Compliance with applicable legislation.

In addition, the Auditor-General is required to highlight weaknesses or deficiencies in the performance reporting of the institution. In providing an opinion on compliance with



legislation the Auditor-General will provide independent assurance on the effectiveness of the risk management activities of the institution.

## 9. Governance

### Internal Control

#### **Controls**

Ensure that the processes and procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded, completeness and accuracy of records are secured and identifies and corrects when something has gone wrong.

#### **System of Internal Contract**

A term to describe the totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

#### **Control environment**

The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organisation's objectives;
- the facilitation of decisions, ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties; \
- ensuring the economic, effective and efficient use of resources and ensuring continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- the financial management of the organisation and the reporting of financial management;
- the performance management of the organisation and the reporting of performance management.

Managers will be responsible for ensuring that proper controls are in place to ensure that resources are used appropriately to provide value for money and delivery of the company's objectives.

An internal audit process exists that independently monitors the controls and procedures across the company to enhance value for money, ensure system reliance, minimise risk and act upon suspicion of fraud or corruption. The Audit Committee relies on the audit processes in place in formulating their opinion of the company's control environment. This comprises risk management, control and governance, and by evaluating the effectiveness of these interventions in achieving the organisation's objectives.

## 10. Management Activities

### Maintenance of Risk Registers

## Strategic Risk Register

The strategic risk register is updated on annual basis with in consultation with all Exco members. The Register is reviewed twice a year with the participation of the PHA's Board members particularly the Group Risk Committee. The review is a detailed interrogation of the risk register taking into account any new developments and particularly focusing on any newly identified risks as a result of legislative changes or changes in operations at PHA.

## 11. Operational Risk Registers

Each of these registers is updated at least every quarter by the department heads. The report that follows has been made a requirement in an attempt to better monitor the progress made in mitigating risks identified.

### **“Action Plans To Improve Risk:**

- Formalise a reporting process for tenants to report illegal occupants.
- Develop a reporting tool to monitor whether H/Supervisors are pro active in identifying illegal occupants, quarterly reports to be submitted on any illegals.
- Improve monitoring of movement of furniture in all projects.
- Develop a tool to monitor movements of tenants moving in or out of units and report quarterly; include in reporting for security and H/Supervisors.
- Hand over cases for eviction for illegals who do not meet the deadline to be regularised.

### **Progress on Actions**

- The reporting tool will only be implemented in the fourth quarter and progress will be reported in the fourth quarter. (Tool attached)

**Residual Risk:** will remain on the risk register as implementation of the current controls need to be monitored over a period of time.”

Each department head is required to discuss their report in detail at EXCO to ensure that all the mitigating controls receive the desired attention

## 12. Performance Monitoring

Performance monitoring of risk management activity will ensure that the treatment of risk remains effective and the benefits of implementing risk control measures outweigh the costs of doing so. Performance monitoring is a continual review not only of the whole process, but also of individual risks or projects and of the benefits gained from implementing risk control measures. The section regarding the communications process includes reporting, which aids the achievement of performance monitoring.

### **Project Management**

Ensuring that we are capable of delivering major and complex projects across many of our services is key to achieving PHA's objectives. Achievement of these projects is only possible because good managers take the time to plan, organise and manage their projects well.

Project management includes provision for undertaking and continually reviewing the risk management process throughout the life of the project.

### **Data Quality**

The company needs to ensure that the data we use for performance monitoring and to inform decision making is accurate, reliable and fit for purpose. If the information is misleading, decision making may be flawed, resources may be wasted, poor services may not be improved and policy may be ill-founded. These could represent significant risks to the company. There is also a danger that good performance may not be recognised and rewarded.

### **Money Laundering**

PHA's policy is to do all that it can to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

### **Business Continuity**

The business continuity process is essentially risk management applied to the whole organisation and its ability to continue with its service provision in the event of a catastrophic event. PHA must ensure that risk management processes are applied throughout the business continuity lifecycle.

### **13. Reporting**

The structure for reporting risk management effectively exists as follows:-

<b>Timeframe</b>	<b>Description</b>	<b>Involvement from</b>
<b>Quarterly</b>	Operational Risk Register reports to Board Sub Committee with responsibility for risk management	Risk Committee and the Board
<b>Annually</b>	Review of Strategic Risk Register Review of the risk management strategy and process document to identify and agree major changes	Risk Committee and the Board
<b>Ad hoc</b>	Risk/Opportunity reviews	Risk/Control measure owners