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RISK MANAGEMENT POLICY UTHUKELA ECONOMIC DEVELOPMENT AGENCY 2024/2025 FINANCIAL YEAR

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1. DEFINITIONS

Accounting Officer: means the Chief Executive Officer

Executive Authority: UEDA Board of Director

Institution: The Entity

Risk Management Committee: A committee appointed by the Accounting Officer, to review the Entity's system of risk management

Audit Committee: An independent committee constituted to review the control, governance and risks management within the institution, established in terms of section 66 of the MFMA.

Likelihood: means the probability that a risk will occur

Risk Appetite: the amount of risk that the Entity is willing to accept in pursuit of its mission or vision

Risk Tolerance: acceptable variation relative to the achievement of an objective

2. INTRODUCTION

2.1. As defined under King 3 Code of Governance for South Africa, Risk Management is the "identification and evaluation of actual and potential risk areas as they pertain to the company as a total entity, followed by a process of either avoidance, termination, transfer, tolerance (acceptance), exploitation, or mitigation (treatment) of each risk, or a response that is a combination or integration.

2.2. According to the Public Sector Risk Management Framework, Public Sector Institutions are expected to develop their systems of Risk Management applying principles of the framework. Given that these principles are generic to all spheres and sectors of government; Public Sector Institutions are expected to adapt these principles to suit their unique circumstances.



3. OBJECTIVES

3.1. The following are UEDA's risk managing objectives:

3.1.1. To comply with all relevant regulations and applicable principles of corporate governance.

3.1.2. Create awareness of risks at all levels within the organisation

3.1.3. Instil a culture of risk management within the organisation

3.1.4. Entrench risk management in the way UEDA conduct its business

3.1.5. To effectively assess and manage risks within the risk management process

3.2. The Risk Management Policy is designed to identify, reduce or eliminate potential losses that could be expected by UEDA and presents processes to proactively implement risk management as part of the overall management of UEDA. These losses can result from accidents, natural disasters and even deliberate actions from detractors.

3.3. Risk is inherent in all administrative and business activities. UEDA management acknowledges that the adoption of a strategic and formal approach to risk management will improve decision making, enhance outcomes and accountability.

3.4. In the main, the aim of the Risk Management Policy is to guide the entity in implementing its Risk Management Policy and also manage the risk involved in all activities of UEDA to maximize the opportunities and minimise adverse effects.

4. RISK MANAGEMENT PROCESS

4.1. Risk Management should be performed at all levels of the organization, from the senior management level to the lowest rank in the entity. The risk management process will entail the following:

4.1.1 A clear understanding of the organisation objectives

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4.1.2. Establishing the environment to understand the conditions within which the organization operates

4.1.3. Identification of risk that may impact on organisation reaching its objectives

4.1.4. Analysing the identified risk

4.1.5. Evaluating the risk

4.1.6. Controlling the risk

4.1.7. Implementation

4.1.8. Monitoring and reviewing risk

4.2. Understanding the organisation's objectives

4.2.1. This first phase of the risk management process deals with clarification of the organisation's vision, mission and goal. This is a necessary step to identify those risks or potential risks that can impact the organisation's reaching its goals.

4.2.2. A risk matrix will be developed to indicate the link between the departmental head (CEO or CFO). These guiding statements are contained in the organisation's business case and the annual performance plan and should be communicated at all levels of the organisation.

4.3. Establishing the environment

4.3.1. Each business operates within certain environment, thus making it imperative for businesses to know the environment within which it operates. In any environment, conditions change prompting the undertaking of the risk management process to consider the current conditions in which the organisation operates- internally and externally. The current conditions will in turn dictate the scope and objective of the risk management process.

4.3.2. Changes in the external and internal conditions will in all likelihood impact the operations of UEDA. The external conditions could relate to changes in global economic conditions, political conditions, legal and regulatory compliance, stakeholder relations and the general business environment.

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The internal conditions could relate to safety, health and operational resources like budget and personnel.

4.4. Identifying Risk

4.4.1. Risk identification forms the core of the risk management process and it involves determining all risks in all functional areas. This process will entail a workshop with role players from each functional area/department. All risks with both upside and downside potential for the organisation should be identified. The following information will result from this process:

- a) Description of the risk
- b) Understanding of the risk relating to past experiences, if any
- c) Contribution factors

4.4.2. The process of identifying risk is a continuous process and should be conducted at all levels within the organisation. All departments head will therefore have to undertake the lead in their respective departments to identify risks as per the risk management process.

4.5. Analysing the identified risk

4.5.1. This step involves establishing the impact and likelihood of a risk event. The following information will help analyse risk:

- a) The Likelihood of risk
- b) The impact of the risk
- c) The consequence from the risk
- d) The factors affecting the likelihood and the consequence
- e) The level of risk
- f) The level of certainty or uncertainty
- g) Any limitations to the analysis

4.5.2. The following rating criteria will be used in terms of the likelihood and the impact to help analyse the risk:

a) Risk Likelihood

Likelihood = Probability + Exposure			Description
5	Almost certain	>80% probability of the risk occurring	Likely to happen
4	Likely	40% - 80%	Will probably occur
3	Possible	20% - 40%	May occur occasionally
2	Unlikely	10% - 20%	Do not expect to happen
1	Rare	< 10%	Do not believe will ever occur

b) Risk Impact (Qualitative and Quantitative Measurement)

Risk Value	Description	Extended description	Risk cost
1	Insignificant	The risk will have no meaningful impact on the organisation	< R100 000
2	Minor	The risk will have a small but not significantly damaging impact on the impact on the organisation	R100.000 – R0.5 M
3	Moderate (significant)	The risk will have a significant impact on the organisation	R0.5M – R1M
4	Major	The risk will have a major impact on the organisation	R1M - R2M
5	Catastrophic/ Transformational	The materialisation of the risk will be catastrophic for the	>R2M

		organisation or if managed properly, could transform the organisation	
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4.6. Evaluating the risk

4.6.1. Risk evaluation involves establishing a relative ranking between risks to allow for prioritization. Prioritization will help in determining risk treatment strategies. Risks are evaluated as a function of the impact and likelihood (Risk = Impact x Likelihood).

The values and descriptions on the table below will help prioritise risks in question.

Evaluation Range	Matrix Evaluation
1 – 8	Low
9 – 14	Medium
15 – 19	High
20 - 25	Critical

4.6.2. After evaluating the risks, prioritisation follows where the evaluator takes into account the evaluation score and knowledge about the risk and the business. This is necessary as it's possible for the risk with the lower score to be prioritised.

4.7. Controlling the risks

4.7.1. This phase involves the development of strategies to control risks. Because it's not necessarily feasible to control risks, the causes or contributing factors can be controlled. Since it is difficult to provide an exhaustive list of control measures, the following are some of the strategies employed to manage risks including the following:

a) **Terminate (Reject)**

This control involves steps to be taken to terminate risk all together as the risk may be too high for the risk appetite of the organisation

b) Transferring the risk

Risk transfer involves transferring the risk to a third party so that the organisation no longer has to face the consequence of the risk.

c) Treat (Accept and Mitigate)

Treating the risk means action to reduce or eliminate the likelihood of it occurring or the impact on the organisation if it arises.

d) Tolerate (Accept)

This control measure means that the organisation is willing to live with the consequence of the risk occurring.

4.7.2. After applying Risk Management Control, it's often possible that some risk would remain resulting in residual risk/s. the residual risk would then be an indication of the effectiveness of the control measure/s chose. The residual risk/s would then have to be re-evaluated.

a) The following table will be used to determine the effectiveness of the control measures applied:

Effectiveness of Current Control	Description
Poor	Will not prevent the risks in any situation – Poor or non-existent control
Unsatisfactory	Will not prevent the risk occurring in most instances – Ad hoc, informal and inconsistent
Good	Will prevent the risk from occurring, but there is still a chance of risk occurring – controls in place, but not well implemented
Very Good	Will prevent the risk occurring in most cases- well documented and implemented controls, but with some room for improvement

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Excellent	Will prevent the risk from occurring, best practices – no room for improvement
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4.8. Implementation

Implementation of control measures deals with the identification of, allocation and carrying particular action steps to give good effect to the identified control measures. An action plan must be developed for addressing the risk. The action plan must clearly indicate the risk, the control measures for addressing the risk, task required to achieve the control measures, the deadline for achieving the task and the personnel responsible for the task.

4.9. Monitoring and Reviewing Risk

4.9.1. Risk Management is an ongoing process and so the monitoring and review of risk and processes will be done continuously. The monitoring and review phase presents a platform to ensure that the chosen control or response strategy to the identified risk implemented successfully.

4.9.2. A risk register will be kept and updated during all reporting periods for the purpose of monitoring and reviewing. In the absence of the Chief Risk Officer, UEDA's accounting officer (CEO) or the delegated officer will be responsible for the risk register as the risk champion.

5. ROLE PLAYERS AND RESPONSIBILITIES

The following are the role players in the risk management process and their respective responsibilities:

5.1. Accounting Authority

5.1.1. The Accounting Authority is accountable to the legislature in terms of the achievement of the goals and objectives of the institution. In this context the Accounting Authority should take an interest in Enterprise Risk Management (ERM) to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the entity.

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

5.2. Board Audit and Risk Committee

The Board Audit and Risk Committee are responsible for assisting the Accounting Authority in addressing its oversight requirements of risk management and evaluating and monitoring the institution performance with regards to risk management.

5.3. Chief Risk Officer

The CRO provides specialist expertise in providing a comprehensive support service to ensure systematic, uniform and effective enterprise risk management. The CRO plays a vital communication link between senior management, risk management committee (MANCO) and other relevant committees. The CRO is thus the co-ordinator of the risk management through the institution and the institutional advisor on all risk management matters.

5.4. Risk Management Committee

The Risk Management 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 and Authority to continuously improve the management of specific risks as well as the overall process of risk management.

5.5. Risk Champion

5.5.1. A risk Champion would be an existing member of the senior management committee (MANCO) within the institution. Risk Champion supports the risk management process in specific allocated areas or functions.

5.5.2. A risk Champion has sufficient authority to drive ERM as required by the entity's risk management policy and strategy. A key part of the Risk Champion's responsibility involves escalating instances where the risk management efforts are stifled, such as when individuals try to block ERM initiatives. The risk

Champion also adds value to the risk management process by providing guidance and support to manage “problematic” risks.

5.6. Management

Management owns the risks, thus taking ownership for management of institutional risks. Management is 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.

5.7. Other Personnel

Other personnel are accountable to senior management to integrate the principles of risk management into their daily routines to enhance the achievement of their functionality objectives.

5.8. Internal Auditors

Internal Auditors are responsible for providing independent assurance on the effectiveness of risk management in the entity. 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.

5.9. Auditor – General

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

5.9.1. The reasonability of the financial statements of the institution

5.9.2. Compliance with applicable legislation

5.9.3. 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.

6. UEDA's RISK APPETITE

Although all efforts must be made by the entity to treat all risks, it is possible for the entity to accept or retain some risks including some potential risks. The Board Audit and Risk committee and Board will approve the risk threshold which would

determine the acceptable level of risk. The risk register will be used to guide the senior management, Board Audit and Risk Committee and Board on the risk exposure and level that requires immediate action and/ or formal response strategy to mitigate the potentially material impact.

7. REPORTING

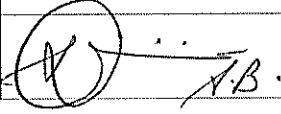
- 7.1. UEDA will appoint a Risk Champion to co-ordinate and consolidate all department's risk register into one report to be presented to the Board Audit and Risk Committee on a quarterly basis. In preparation for reporting to the committee, monthly reporting of risk registers will be done at the Risk Management Committee meetings by all departmental heads (GM and CFO).
- 7.2. All feedback from the Board Audit and Risk committee meetings and Risk Management Committee meetings relating to risk management has to be communicated to all staff to achieve UEDA's risk management objectives.
- 7.3. Although this document does not aim to prescribe the reporting format or template for risk management, the following information should be covered in the risk management report:
 - 7.3.1. Objectives/ Performance Indicators
 - 7.3.2. A clear description of the risk including context
 - 7.3.3. The impact and likelihood of the risk
 - 7.3.4. Major causes of the risk
 - 7.3.5. Risk Ranking / Prioritisation
 - 7.3.6. Location / Department
 - 7.3.7. Current response strategy for the risk including current actions or controls
 - 7.3.8. Responsible department / Committee / Lead person for the risk
 - 7.3.9 Deadline date for implementation of response strategy
 - 7.3.10. Update on UEDA's risk register

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8. REVIEW

The risk policy will be reviewed annually or as and when the need to view arises.

9. APPROVAL

NAME	SIGNATURE	DESIGNATION	DATE
MR SB SIBISI		ACTING CHIEF EXECUTIVE OFFICER	30/06/2024