

Risk Management Policy and Framework

TABLE OF CONTENTS

1. Risk Management Policy	3
2. Risk Management Organisational and Governance Structures	5
3. Risk Management Process	10
4. Components of the MRM Process	13
Annexure A– Roles and Responsibilities	14
Annexure B– Common Language	17
Annexure C: Risk Rating Criteria.....	19
Annexure D: Risk Universe.....	30

1. Risk Management Policy

1.1 Municipal-Wide Risk Management (MRM) Policy Statement

The Beaufort West Municipality is committed to Municipal-Wide Risk Management focus aimed at stakeholder accountability and enhancing capacity to build stakeholder value. To guide this MRM focus, a Risk Management Framework has been developed. This framework follows a holistic approach to risk and opportunity and details a strategy to achieve the overall municipal objectives. It is aligned to the King Code on Corporate Governance (“King III”), the Municipal Finance Management Act (the “MFMA”) and other regulatory requirements. All Divisions and business units are subject to the Risk Management Framework.

All risks will be managed in a structured and systematic approach, which is aligned to the Risk Management policy framework and corporate governance responsibilities. The MRM Framework will be embedded in the municipality’s business systems and processes, to ensure that responses to risks remain current and dynamic.

Through the application of the MRM Framework, the municipality will:

- **Align risk appetite and strategy:-** Management will consider the municipality’s and business units risk appetite, as determined by the municipality, in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks.
- **Enhance risk response decisions:** - Risk management will provide the rigor for management to identify and select among alternative risk responses – such as risk avoidance, reduction, transferring, and acceptance.
- **Reduce operational surprises and losses:** - The municipality will gain enhanced capability to identify potential events and establish responses, reducing surprises and associated costs or losses through risk management.
- **Identify and manage multiple and cross-municipal risks:** - The municipality will, through Risk Management, identify risks and facilitate effective and integrated responses to the interrelated impacts.
- **Seize opportunities:** - By considering a full range of potential events, the municipal management will be positioned to identify and proactively realise or capitalise on opportunities.
- **Improve deployment of capital:** - Obtaining robust risk information will allow the municipal management to effectively assess overall capital needs and enhance capital allocation.
- **Ensure compliance with laws and regulations:** - Management will ensure effective reporting of risks and compliance with laws and regulations and will avoid damage to the municipality’s reputation and associated consequences.
- **Increase probability of achieving objectives:** - Management will ensure that the municipality’s performance and profitability targets are achieved and prevent loss of resources. Controls and risk interventions will be chosen on the basis of increasing the likelihood that business will fulfill its intentions to stakeholders.

- **Protect the municipality's resources:** - Risk management assists management to protect the scarce resources of the municipality, be it capital, physical assets, human assets, etc.

Every employee of the municipality has a role to play in this important endeavour. The MRM Framework is a dynamic document which will be reviewed on an annual basis by the Municipality or as the circumstances dictate, in consultation with the relevant stakeholders.

Signed:

Mr. J. Booyesen
The Municipal Manager:
Date: _____

2. Risk Management Organisational and Governance Structures

2.1 Governance Structure

Risk management is ultimately the responsibility of the Accounting Officer of the municipality. The Audit Committee currently has responsibility for governance oversight of risk management in the municipality. The municipality may determine that a separate Risk Committee is established or that such a structure be integrated into the Audit Committee. At Beaufort West Municipality the structure will be integrated with that of the Audit Committee, thus creating an Audit and Risk Committee. The Risk Management governance structure is as follows:



2.2 Roles and Responsibilities of Governance Structures Council

The Council is responsible for ensuring that there are adequate policies in place in respect of risk management. The municipality is responsible for determining the level of risk acceptable to the Beaufort West Municipality.

Audit and Risk Committee (ARC)

The Audit and Risk Committee is responsible for assisting Council in addressing its oversight requirements to risk management and evaluating and monitoring the municipality's performance with regards to risk management.

The Audit Committee has a defined mandate and terms of reference which include the following responsibilities regarding risk management:

- Consider written reports furnished by the Municipal Risk Committee detailing the adequacy and overall effectiveness of the Municipal Risk Committee's function and risk management implementation by management;
- Consider the risk philosophy, strategy, policies and processes recommended by Exco and consider reports by Exco on implementation and communication to ensure incorporation into the culture of the municipality;
- Ensure that risk definitions and contributing factors, together with risk policies, are formally reviewed annually;
- Consider the acceptability of the risk profile in conjunction with the overall risk appetite of the municipality, taking into account all risk mitigation factors, including, but not limited to, insurance, business continuity and disaster recovery planning, internal controls, etc;
- Ensure compliance with the municipality's risk policies and framework;
- Ensuring compliance with risk philosophies, strategies, frameworks, policies and procedures;
- Giving guidance on the structures and systems to be used by directorates, and processes of the municipality to prudently manage risks;
- Ensuring that risk definitions and contributing factors, together with risk policies are formally reviewed;
- Reviewing the adequacy and overall effectiveness of risk management within the municipal directorates and processes with regards to implementation by management and ensuring that appropriate action is taken or controls are implemented to mitigate risks; and
- Ensure that a risk-based protocol is incorporated into the municipal directorates and processes key decision-making processes.
- Providing the Council with assurance that key risks are properly identified,

assessed, mitigated and monitored across the municipality;

Municipal Executive Committee (EXCO)

The Executive Committee is accountable to Council for risk management; and ensuring adequacy and overall effectiveness of risk management within all municipal directorates and processes. Its responsibilities include:

- Ensuring that staff adopt and implement the Risk Management Framework and related policies;
- Acting as a communication forum to agree on solutions to business risk management issues;
- Confirming that the risk management process is accurately aligned to the strategy and performance objectives of the municipality;
- Ensuring the implementation and management of appropriate controls; and
- Ensuring that risk exposures and breaches are reported to the appropriate governance structures.
- Provide written reports to the ARC, detailing the adequacy and overall effectiveness of the Municipal Risk Committee's function and risk management implementation by management;

Municipal Manager

The Accounting Officer has the ultimate accountability for risk management as detailed in the MFMA. This will include amongst other:

- To ensure compliance with all applicable legislation;
- To progressively undertake selective, regular and systematic audits of activities in order to identify and where possible, minimize risk;
- To secure full co-operation of all staff in identifying and managing risk;
- To actively pursue business and financial opportunities within a managed risk-based framework;
- To promote evidence based practice;
- To ensure that all staff are trained and competent in their role;
- To ensure that all staff induction and training programmes take full account of all hazards and risks likely to be encountered in the workplace;
- To foster an environment where staff is encouraged to report risks, incidents and "near misses" and raise concerns about matters within their areas of responsibility; and
- Determining risk management delegation of responsibility and authority

Divisional and Operational Risk Management Committees

Divisional and Operational Risk Management Committees will be chaired by the relevant Manager or Accounting Officer's designate. The Divisional and Operational Risk Management Committees responsibilities will amongst others be to:

- Promote in the Division a process of MRM and internal control that results in more robust business operations;
- Ensure that all elements of the Risk Management process are diligently adhered to at an operational level;
- Identify, evaluate and review Divisional business risks, assessing their impact and likelihood, assign risk owners and define mitigating actions to address the risks;
- Update and analyse individual directorate risk registers and report on these to Divisional Exco and the Risk Management Committee;
- Report to EXCO any significant/material risks that could have a direct or indirect impact on the strategy of the Municipality / Directorate;
- Implement risk management structures and processes in line with the MRM Framework;
- Identify, evaluate and review specific business risks, assess their impact and likelihood of occurring, assign risk owners and define actions to address the risks;
- Review, analyse and update operational risk registers and report on these to the Divisional and Operational Risk Committee; and
- Report to EXCO any significant risks that could have a direct or indirect impact on Divisional /Functional business objectives.

The formation of Divisional and Operational Risk Management committee does not replace or negate the requirement for safety committees and safety management programs in place. It is imperative that the entire business implements all the necessary structures, processes and resources required under the Occupational Health and Safety Act, 1993, and any other applicable legislative or regulatory requirements. It is also recognised that many operations have technical committees in place that deal with specialised areas of risk such as environmental management, quality management and insurance. These are expected to be continued as deemed appropriate for the risk profile of the municipality.

2.3 The Risk Management Structure

Roles and Responsibilities

Risk Management Function:

Risk Management is responsible for the following:

- Development of the Risk Management policy, framework and strategy across the municipality;
- Facilitating and monitoring the implementation of the Risk Management policies, framework and strategy;
- Analysing Divisional risk reports and compiling of monthly, quarterly and annual risk reports for Audit and Risk Committee meetings and the Executive Committee; and
- Assisting with embedding the Risk Management culture within the municipality.

In respect of Beaufort West Municipality the Accounting Officer is currently performing the function of the Risk Manager.

Divisional and Operational Risk Management Function

The Divisional Risk Management Function is responsible for:

- Implementation of the MRM strategy, policy and framework;
- Compiling risk reports as required for Divisional Exco and the Audit and Risk Committee;
- Embedding the risk awareness culture within the Division; and
- Continually improve Risk Management activity across the Division.

3. Risk Management Process

A brief summary of the risk management process has been outlined below. A procedure manual will be developed to assist in ensuring the successful implementation of the Risk Management process. Beaufort West Municipality’s primary risk assessment process comprises a comprehensive annual risk review. This review involves a complete re-development and re-assessment of the risks to Beaufort West Municipality. A team approach comprising senior management from all directorates of Beaufort West Municipality’s operations is used in this assessment phase.

Future methods of assessing risks will include scenario planning and system tests which are designed to test the adequacy of documented mitigation strategies. The review process is coordinated with the strategic planning cycle of Beaufort West Municipality to ensure risks associated with all strategic business objectives and activities are considered. Risks identified by operational units, who review their risk profiles annually, and the results of internal audit work, are incorporated into this review.

Beaufort West Municipality’s senior management team measures the risks which have been identified and prioritizes them in terms of their impact on Beaufort West Municipality. Results of the annual review are documented, and include mitigation strategies where appropriate.

3.1 Risk Management Methodology

Beaufort West Municipality’s risk management methodology is based on the COSO model and is depicted as follows:



- Developing an understanding of the organizational context, including its strategic goals, its business functions and processes, and resources and stakeholders involved in achieving its objectives;
- Conducting a process of identifying the risks to which the business operations and resources are exposed;
- Assessing for each risk the impact and likelihood of an occurrence, the resources

involved, and the effectiveness of the risk mitigation and control;

- Recording and assessing specific consequences and controls;
- Developing an action plan for each 'Very High' or 'High' level risk, identifying risk treatment option such as reducing the likelihood and/or impact, avoiding, transferring, accepting, or otherwise treating the risk;
- Ongoing monitoring and review; and
- Communicating and consulting at all stages of the process between all levels of management staff.

Risk Governance

The internal environment underpins the tone of an organisation, influencing the risk consciousness of its people and is the basis for all other components of enterprise risk management, providing discipline and structure. Internal environment factors include an entity's risk management philosophy; its risk appetite; oversight by Council, the integrity, ethical values and competency of the municipal staff and the way management assigns authority and responsibility and organizes and develops the municipal staff.

Risk appetite is established by management with oversight of the Council and is the amount of risk exposure, or potential adverse impact from an event that the municipality and / or its directorates are willing to accept or retain. While operational, business/commercial and financial market risks cannot be completely eliminated, they can be minimised through effective management and transfer.

Objectives are set at a strategic level establishing a basis for operations, reporting and compliance objectives. The municipality faces a variety of risks from external and internal sources, and a precondition to effective risk identification, risk assessment and risk response is the establishment of objectives. Objectives must be aligned with the municipality's risk appetite, which drives risk tolerance levels for the municipality.

Risk Identification

Risk identification entails compiling a detailed list and concise description of all strategic, operational, business/commercial and financial/market risks that the municipality / respective directorates could potentially be exposed to in the foreseeable future that would threaten the achievement of its business objectives, both in the long term and short term.

Risk Assessment

All identified risk exposures are to be assessed and prioritised in terms of the approved risk methodology. Risk assessment allows an entity to consider the extent to which potential events have an impact on the achievement of objectives. Management assesses events from two perspectives, impact and likelihood, and normally uses a combination of qualitative and quantitative methods. Risks are assessed on both an inherent and residual basis.

Risk Control & Response

A decision as to whether or not to terminate, transfer, tolerate or treat the relevant risk must, at all times be made. In considering their response, management assesses the effect on risk likelihood and impact, as well as cost versus benefit, selecting a response that brings residual risk within desired risk tolerances. Management identifies and implements controls, mitigations and interventions to mitigate the risks. This will include the identification of the risk owner, actions required, due dates thereof, and evaluating the effectiveness of the controls.

Risk Monitoring & Reporting

All risk exposures will continually / periodically be evaluated against risk appetite and tolerance limits. Risk monitoring is aimed at improving the current stage of risk management from basic to advanced in terms of risk governance, risk assessments, risk quantification, risk reporting and risk control optimisation. Risk reporting will involve the production of appropriate risk reports to enable and enhance informed decision making by management and where necessary, the Board.

Performance Measurement

Risk Management's performance will be measured and monitored through the following performance management activities:

- Monitoring of progress made by management with the implementation of the Risk Management methodology;
- Monitoring of key risk indicators;
- Monitoring of loss and incident data;
- Progress made with risk mitigation action plans; and
- Annual quality assurance review of Risk Management performance by the Internal Audit Function, which must also report on its review to the Audit Committee.

4. Components of the MRM Process

As the risk environment is so varied and complex, business managers and risk practitioners normally place different types of risk into various categories. This process of risk categorisation is also driven by the fact that many risks require highly specialised knowledge and expertise to understand them.

The main categories for the municipality are as follows:

- Strategic
- Operations
- Financial
- Information
- Compliance

The main areas listed above are defined in Annexure D.

Annexure A– Roles and Responsibilities

NO.	Action required	RESPONSIBILITY	FREQUENCY
Committee Responsibilities			
01	The Council will review risk management progress twice a year.	Council	Bi-annually
02	The Audit Committee will review risk management progress twice a year, Review progress on top 20 risks at every meeting of the committee	Audit Committee Chairman	Bi-Annually Every meeting
03	The Risk Management Committee (RiskCo) will review risk management progress at least every quarter (In the beginning meet monthly)	Audit & Risk Committee	Quarterly
04	The Divisional Risk Management Committees will meet at least every quarter.	Divisional Managers	Quarterly
05	Operational risk management committees will meet at least monthly.	Risk Champions	Monthly
Reporting Responsibilities			
06	The Mayor will include statements regarding risk management performance in the annual report to stakeholders	Mayor	Annually
07	The Risk Management Committee will submit a risk management report to the Audit Committee on a quarterly basis. The report will focus on the following: <ul style="list-style-type: none"> The top 20(or such other number determined by the Committee in consultation with Audit Committee) risks facing the municipality (Tolerance Limits/Acceptable risks levels) - including details of risk owners, progress on action plans and progress on remedial actions ,where deviations from action plans occurred, and on movements in risk exposures. The top 20 risks facing the Division (Tolerance Limits / Acceptable risk levels) - including details of risk owners, progress on action plans and on remedial actions, where deviations from action plans occurred and on movements in risk exposures. 	Audit & Risk Committee	Quarterly
08	Each Division will draft a risk management submission to Divisional Exco once every	Divisional Managers	Quarterly

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NO.	Action required	RESPONSIBILITY	FREQUENCY
	<p>quarter. This will focus on the following:</p> <ul style="list-style-type: none"> The top 20 risks facing the operational unit (Tolerance Limits / Acceptable Risk levels) - including details of risk owners, progress on action plans and progress on remedial actions, where deviations from action plans occurred and on movements in risk exposures. Any risk developments or losses. 		
09	<p>Each operational unit will draft a risk management submission to Divisional Exco once every quarter. This will focus on the following:</p> <ul style="list-style-type: none"> The top 20 risks facing the Division (Tolerance Limits / Acceptable risk levels) - including details of risk owners, progress on action plans and progress on these, remedial actions where deviations from action plans occurred, movements in risk exposures. 	Divisional Managers	Quarterly
Risk Assessment Responsibilities			
10	The Council will independently review the key risks of the municipality at least once a year.	Mayor	Annually
11	The Risk Management Committee will arrange for the municipality's key risks to be formally re-evaluated once a year.	Audit & Risk Committee	Annually
12	The Divisional Risk Management Committees will formally reassess the top 20 Divisional risks annually (Tolerance Limits).	Divisional Managers	Annually
13	The Operational Risk Management Committees will formally reassess the top 20 operational unit risks annually (Tolerance Limits)	Functional/Line Managers	Annually
14	All Risk Committees and forums will review risk registers at each meeting and update the register's contents to reflect any changes without formally reassessing the risks.	All	As scheduled
Control Responsibilities			
15	The Audit and Risk Committee will consider Management's report concerning the effectiveness of internal controls at least once a year.	Audit Committee Chairman	Annually

NO.	Action required	RESPONSIBILITY	FREQUENCY
16	The Audit and Risk Management Committee will deal with the performance of internal controls for the risks in the risk register.	Accounting Officer	Bi-annually
17	Divisional Managers will report to Exco regarding the performance/effectiveness of internal controls for those risks in the Divisional risk register.	Divisional Managers	Quarterly
18	Line Managers will report to Divisional Managers regarding the performance of internal controls for the risks in the operational unit's risk register.	Line Managers	Quarterly
19	All risk registers will contain action plans for improving risk controls and risk interventions. Each Division will review progress made with these action plans and report on it to the Audit and Risk Committee.	All	As scheduled.
Governance Responsibilities			
20	Each risk will have a nominated owner, who will be responsible for the following: <ul style="list-style-type: none"> • Updating the risk information; • Detailed evaluation/assessment of the risk exposure; • Providing assurance regarding the risk's controls; • Co-ordinate the implementation of action plans for the risk; • Ongoing measurement of the effect of action plans on the risk exposure and effectiveness of controls. • Reporting on any developments regarding the risk. 	All	As scheduled.
21	The Internal Audit function will use the outputs of risk assessments to compile its audit	Internal Audit	Annually
22	The Internal Audit function will formally review the adequacy and effectiveness of the municipality's risk management processes once a year.	Internal Audit	Annually
23	Each risk register will detail the risks and controls associated with quality assurance, safety, health and environment responsibilities, etc.	All	As scheduled

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Annexure B: Common Language

Given that the Enterprise Risk Management process will strive to integrate various participants and specialists from disparate risk professionals, it is vital that the process does not confuse all concerned by using disjointed terminology. Frequently used risk management terminology is defined below to ensure that different disciplines have a common interpretation of the terminology.

- **Enterprise Risk Management** – A formal response to corporate risk, responding to every conceivable type of risk in every part of the organisation. It is a structured and systematic process that is interwoven into existing Management responsibilities.
- **Risk analysis** – The process by which minor acceptable risks are separated from the major risks, by considering the inherent impact and the probability of occurrence.
- **Impact** – The magnitude of the impact on the business should the risk actually materialise.
- **Probability** – This is the likelihood that the risk will materialise.
- **Risk** – An uncertain event that threatens the achievement of the objectives of the organisation.
- **Hazard** – The source, of or exposure to, danger.
- **Incident** – An undesired event as a result of a risk behaviour, or high-risk conditions, without necessarily resulting in loss, but has the potential for loss.
- **Accident** – Undesired event as a result of a risk behaviour or high risk conditions resulting in personal injury, property damage and/or business interruption.
- **Risk Assessment** – The process by which consideration is given to risks that are significant to the achievement of the company's objectives. This is a continuous process, requiring regular reviews, as and when internal and external changes influence the organisation's strategies and objectives.
- **Inherent risk** – The measure of the probability of occurrence of a risk and the severity of outcome, prior to control measures.
- **Risk Control** – Action taken to minimise inherent risk.
- **Perceived Risk Control effectiveness** – The way Management perceives the identified controls to be working to minimise inherent risk.
- **Residual risk** – The measure of the probability of occurrence of a risk and the severity of outcome, after the control measures.
- **Residual risk management decisions** – Decisions to tolerate, treat, transfer or avoid or terminate a risk.

- **Credit Risk** – Risk of loss through exposure to counterparty default.
- **Strategic Risk** – Risk of employing a strategy that fails to secure the optimum returns available from the capital employed.
- **Business Risk/Commercial** – Risk of unfavourable fiscal, economic, competitive, legal, tax or regulatory changes in the market and of impact on the sustainability of operations and the profitability of the business as a result of management decisions. These include procurement, project management, reputation, price and competition risks.
- **Operational Risk** – Risk of loss resulting from failed internal processes, people, systems, and external events. Operational risks include the risks relating to health, safety, business continuity, accidents, incidents, insurable risks and the risk of noncompliance with any statutory requirements of central, provincial or local government, including regulations imposed by the regulatory agencies.

Annexure C: Risk Rating Criteria

Strategic

Impact		
Score	Grading	Description
10	Catastrophic	Critical event resulting in immediate Cabinet intervention. Long-term cessation of core organisational activities.
9	Critical	Major financial, operational and/or reputational loss for WCPG – Issues that should be addressed on a Cabinet level.
8	Severe/Major	Critical event resulting in intervention of executive management. Probable long-term cessation of core business activity – material at organisation level – requires Audit Committee involvement.
7	Significant	Significant long-term impact to business – requires attention of HoD's/Chief Directors.
6	Moderate	Reduced ability to achieve business objectives – requires executive management intervention.
5	Marginal	Disruption of normal operations with a limited effect on achievement of WCPG's strategy and objectives.
4	Immaterial	No material impact on achievement of WCPG's strategy and objectives.
3	Minor	Event will be coped with in short term through normal management processes.

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Impact		
Score	Grading	Description
2	Insignificant	Impact of adverse event is minimal.
1	Negligible	Impact of adverse event has little (if any) impact on business.

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Operational

CONSEQUENCE / IMPACT

SCORE	GRADING	Financial	Service Delivery	Reputation & Image	Employee Wellness	Legal/ Regularity/ Compliance
	Descriptions	Impacts of a financial nature and directly affects the departmental budget	Impacts on the ability to provide maximum services to the stakeholders with existing resources	Impact is of a reputational nature stemming from bad publicity of the department	Impact stems from employees not being in the best mental, emotional and physical state to perform duties	Impact is on the ability to comply with Acts, laws, regulations or contracts as well as with departmental policy and procedure
10	Catastrophic	Loss of assets, adverse impact on annual revenues –	Threatens ongoing existence of the component/sub-directorate (Total disruption of service rendered by	Total loss of confidence within stakeholders. Sustained negative publicity or damage to	Multiple deaths more than 20% unit capacity. Destruction of the Department facility.	Total shut down of the component or external intervention required

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		Financial loss of 80 – 100% of budget	component/ sub-directorate).	reputation from a national, sector or community perspective – long term.		
9	Critical	Loss of assets, adverse impact on annual revenues - Financial loss of 70 – 79% of budget	Permanent loss of critical information, substantial disruption to component or external intervention extending over 6 months or more (Total disruption of service rendered by component/ sub- directorate). Major KRA's not achieved.	Critical breakdown in key relationship with primary stakeholders	Multiple deaths less than 20% unit capacity. Temporary destruction of the Department.	
8	Severe/Major	Loss of assets, adverse impact on annual revenues - Financial loss of 60 – 69% of budget	Permanent loss of critical information, substantial disruption to component or external intervention extending over 3 to 6 months (Total disruption of service rendered by component/ sub- directorate). All major KRA's not achieved.	Widespread negative reporting in media. Leads to a high-level independent investigation with adverse findings. Short term breakdown in key relationship with stakeholders	Death. Entrenched morale problems. Inability to recruit employees with necessary skills. Employee walkout.	
7	Significant	Loss of assets, adverse impact on annual revenues - Financial loss of 50 – 59% of budget	Considerable remedial effort required with widespread disruption to the component extending for period up to 3 months More than 50% of major KRA's will not be achieved.	Short term breakdown in key relationship with stakeholders. Widespread negative reporting in media. Premier or Ministerial involvement. Leads to a preliminary investigation with limited findings.	Serious permanent injury – inability to return to work. Ongoing widespread morale issues. Extreme employee turnover.	Serious failure to comply with legal or regulatory requirements that may result in legal action taken against department due to non-compliance with Laws, Acts, regulations or Contracts

6	Moderate	Loss of assets, adverse impact on annual revenues - Financial loss of 40 – 49 % of budget	Considerable remedial effort required with limited disruption to the component extending for period 3 months or more Less than 50% of major KRA's will not be achieved.	Limited breakdown in key relationship with stakeholders. Widespread negative reporting in media. Premier or Ministerial involvement.	Serious permanent injury but able to return to work. Ongoing widespread morale issues. High employee turnover.	
5	Marginal	Loss of assets, adverse impact on annual revenues – Financial loss of 30 – 39% of budget	Considerable remedial effort required with limited disruption to the component extending for period of less than 3 months Some KRA's will not be achieved.	Widespread negative reporting in media. Premier or Ministerial involvement. No breakdown in key relationship	Lost time iro temporary injury (incapacity leave). Local but lingering poor morale. Serious skills mix issues. Medium employee turnover.	
4	Immaterial	Loss of assets, adverse impact on annual revenues Financial loss of 20 – 29% of budget	Easily remedied, some impact on external stakeholders KRA's delayed.	Temporary negative impact on reputation. Media coverage in city/provincial level for less than a week	Lost time iro temporary injury (normal sick leave) Local but lingering poor morale. Skill mix issues.	Non-compliance with policy and procedures results in ineffective procedures that impact on the KRA's.
3	Minor	Loss of assets, adverse impact on	Easily remedied, some impact	One off media coverage in	Lost time injury 2 days or less. Local but lingering	

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		annual revenues Financial loss of 10 – 19% of budget	on internal stakeholders KRA's delayed.	city/provincial level only.	poor morale. Minor skill mix issues.	
2	Insignificant	Insignificant loss of assets or insignificant adverse impact on annual revenues – Financial loss of 5 – 9% of budget	Small delay, internal inconvenience only. Can be remedied internally immediately	Once off media coverage in community circulation only.	Minor injury. Temporary poor morale within the component.	Slight deviation from prescripts. Can be remedied internally immediately.
1	Negligible	Insignificant loss of assets or insignificant adverse impact on annual revenues – Financial loss of 0 – 4% of budget	Internal inconvenience only. Can be remedied internally immediately	Customer complaint received	Minor injury Minor morale issues.	

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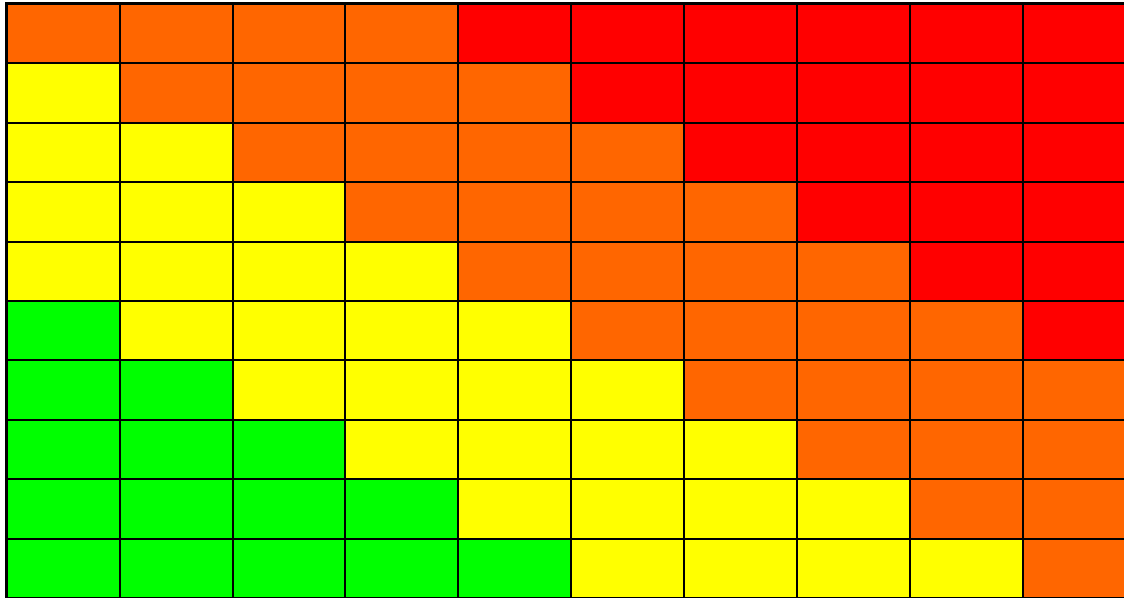
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Likelihood

SCORE	GRADING	DESCRIPTION
10	Certain	Adverse event/opportunity will definitely occur.
9	Almost Certain	There is little doubt that the event will occur. History of occurrence internally and/or at similar institutions.
8	Probable	Highly likely that adverse event/opportunity will occur.
7	Expected	The adverse event/opportunity can be expected to occur.
6	Possible	It is more likely that adverse event/opportunity will occur than not.
5	Potential	There is a 50% probability of occurrence.
4	Occasional	Unlikely, but can reasonably be expected to occur.
3	Remote	Unlikely, but there is a slight possibility that the event will occur.
1-2	Improbable	Highly unlikely that adverse event/opportunity will occur.

Severity



The above risk matrix is a 10 x 10 area, which is divided into 4 severity areas, namely:

- **Low**
- **Moderate**
- **High**
- **Extreme**

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Annexure D: Risk Universe

Category	Sub Category	Sub Category	Description
Strategic	Stakeholder	Service Provider/Supplier/NGO	Independent entities that provide goods and/or services to the organisation.
		Provincial Cabinet	The provincial ministers responsible for setting and governing applicable policy, regulations and laws on provincial level. The Provincial Cabinet consists of the Premier, as head of the Provincial Cabinet, and no fewer than five and no more than ten Provincial Ministers appointed by the Premier from among the members of the Provincial Parliament. The Premier appoints the Provincial Ministers, assigns their powers and functions, and may dismiss them
		National Government	The representatives of political parties representing the electorate, responsible for setting and governing applicable laws, regulations and policies and providing oversight over Government Institutions on a national level.
		National Treasury	The National Treasury is the National Department responsible for managing South Africa's national government finances. The National Treasury's legislative mandate is also described in the Public Finance Management Act (Chapter 2). The National Treasury is mandated to promote government's fiscal policy framework; to coordinate macroeconomic policy and intergovernmental financial relations; to manage the budget preparation process; to facilitate the Division of Revenue Act, which provides for an equitable distribution of nationally raised revenue between national, provincial

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		and local government; and to monitor the implementation of provincial budgets
▲		Provincial Parliament The 42 positions held by members of various political parties representing the electorate of the Western Cape to pass Laws and oversee Provincial Government for the Province.
▲		Trade Unions Organisations representing the employees interests in terms of the Labour Relations act, Act 66 of 1995
▲		Other Provincial Departments/ Municipalities Risks emanating from responsibilities towards, or dependencies on other Provincial departments and Municipalities
▲		Public Entities Provincial public entity means (a) a provincial government business enterprise; or (b) a board, commission, company, corporation, fund or other entity (other than a provincial government business enterprise) which is - (i) established in terms of legislation or a provincial constitution; (ii) fully or substantially funded from a Provincial Revenue Fund or by way of tax, levy or other money imposed in terms of legislation; and (iii) accountable to a provincial legislature
▲		Donor A person, entity or organisation that makes available funding, normally for specific purposes relating to the enhancement of services or governance processes.
▲		Business Partner An entity with a contractual relationship to combine resources and activities jointly with an organisation to share in the management of specified activities, and in the profits/losses directly related to those activities, i.e. PPP's.

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		Public (tax)	The people of the Western Cape who expect value from the Provincial Government. On the one hand we have clients requiring best possible services, while on the other hand we have taxpayers who require these services to be at lowest possible cost.
		MEC's	The provincial ministers responsible for setting and governing applicable policy, regulations and laws on provincial level for their relevant department.
	Governance	Strategic Leadership	Strategic Leadership refers to those activities that determine where the organisation is going, what it is going to do, when it is going to do it, why it is going to do it and for how long it is going to do it
		Management Stewardship	Management and Stewardship consisting of two sub groups. The first being <i>Structure and Relationships</i> that refers to those activities that require resources and which determines who are going to do what, how they are going to do it, and who will be informed of what and when. The second sub group is called <i>Performance Measures</i> and refers to those activities that regularly assess whether the organisation is doing what it has planned to do, if the progress being made is according to plan and expectations, and if risks are properly managed
		Control Assurance	Control Assurance, refers to those activities that determine who is accountable and/or responsible for what and to whom, and if they comply with the prescribed policies and procedures, regulations, instructions and applicable laws
		Governance Principles	The principles contained in the Governance Framework can be regarded as the value system adopted and fostered

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		by all in PGWC. It represents the attitude and spirit with which important and mundane activities are daily performed by personnel
	Market Structure	Market Analysis
		A Market analysis is a documented investigation of a Market that is used to inform a firm's planning activities particularly around decision of: inventory, purchase, work force expansion/contraction, facility expansion, purchases of capital equipment, promotional activities, and many other aspects of a department
		Economic
		Activities related to the production and distribution of goods and/or services in a particular geographic location. This includes the impact on/of strategic resources, i.e. finances etc.
		Logistics
		Area, region, territory, etc., representing a key logistical focus for conducting business.
		Socio Economic / Demographic
		Characteristics of a market (size, location, customer and supplier behavior behaviour) that are appropriately manipulated to provide for ease of entry and diffusion of information on buyer and seller actions.
		Competitor
		An entity that is selling or buying goods and/or services in the same market as another.
		Growth Strategy and Development
		A strategic decision to acquire new market share, i.e. to buy out/into existing entities/businesses, develop new service/product lines etc.
		Fiscal
		In economics, fiscal policy is the use of government spending and revenue collection to influence the economy.

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		Regulatory Framework	The sum of all legislation and regulations within which departments are required to function
Operations	Process	Budget Implementation	Utilisation, control and monitoring of the budget to give effect to operational imperatives.
		New Service Development	Process of creating new products and/or service lines.
		Service Delivery	Integral part of an organisation's value chain where assets and activities are effectively combined to enhance quality, effectiveness and to create value.
		Supply Chain Management	Process to procure services and/or products objectively, efficiently, economically and timeously, including evaluating major capital projects and managing adherence to contract terms and conditions.
		Transfer Payments	Payments made to 3 rd parties for rendering services on parliament's behalf to accomplish provincial objectives, i.e. payments made to training institutions to support programs for poverty alleviation etc.
		Support Processes	Activities that indirectly support the execution of an organisation's mega processes.
		Public Private Partnership	Public-private partnership (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP, P3 or P3.
		Continuous Process Improvement	Continuous Improvement Process (CIP, or CI) is a management process whereby delivery (customer valued) processes are constantly evaluated and improved in the

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		<p>light of their efficiency, effectiveness and flexibility.</p> <p>Some see it as a meta-process for most management systems (<u>Business Process Management</u>, <u>Quality Management</u>, <u>Project Management</u>). <u>Deming</u> saw it as part of the 'system' whereby feedback from the process and customer were evaluated against organisational goals. The fact that it can be called a management process does not mean that it needs to be executed by 'management' merely that it makes decisions about the implementation of the delivery process and the design of the delivery process itself.</p> <p>Some successful implementations use the approach known as <u>Kaizen</u> (the translation of kai ("change") zen ("good") is "improvement"). This method became famous by the book of Masaaki Imai "Kaizen: The Key to Japan's Competitive Success."</p> <p>The core principle of CIP is the (self) reflection of processes. (Feedback)</p> <p>The purpose of CIP is the identification, reduction, and elimination of suboptimal processes. (Efficiency)</p> <p>The emphasis of CIP is on incremental, continuous steps, avoiding quantum leaps. (Evolution)</p> <p>The elements above are more tactical elements of CIP, the more strategic elements include deciding how to increase the value of the delivery process output to the customer (Effectiveness) and how much flexibility is valuable in the process to meet changing needs.</p>
Infrastructure	Plant, Estate & Property	Physical protection and stewardship over long-lived assets (such as land, buildings, and other structures) designed to

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			optimise longevity and utilisation.
		Equipment	Fixed assets that are acquired as additions or supplements to more permanent assets. Equipment includes lighting fixtures in a building, for example. Equipment, unlike real estate, is generally moveable
		Fleet	A large group of ships, airplanes, trucks, etc., operated by a single company or under the same ownership: <i>He owns a fleet of cabs.</i>
		Other Tangibles	Tangible property in law is, literally, anything which can be touched, and includes both real property (or, in civil law systems, immovable property) and personal property (or moveable property), and stands in distinction to intangible property. This area would therefore be everything excluding Plant, Plant , estate, property, equipment, and fleet already made provision for seperatelyseparately .
	People	Occupational Health & Safety	The prevention, minimization and monitoring of employee injuries incurred in the course and related to their employment.
		Human Resources	The recruitment, training & development, performance management, compensation and retention of qualified employees to ensure optimal achievement of organisational strategies, goals and objectives, including proper and adequate organisational development.
		Learning Organisation	Sharing of knowledge and skills within and across business units/lines.
		Employee Wellness	Workplace wellness programs are recognized by more and more companies for their value in improving health and well-

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		<p>Occasionally, a small prototype of the final product is built and tested. Testing is generally performed by a combination of testers and end users, and can occur after the prototype is built or concurrently. Controls should be in place that ensure that the final product will meet the specifications of the project charter. The results of the design stage should include a product design that:</p> <ul style="list-style-type: none"> • Satisfies the project sponsor, end user, and business requirements • Functions as it was intended • Can be produced within quality standards • Can be produced within time and budget constraints
	Project Execution	<p>Executing consists of the processes used to complete the work defined in the project management plan to accomplish the project's requirements. Execution process involves coordinating people and resources, as well as integrating and performing the activities of the project in accordance with the project management plan. The deliverables are produced as outputs from the processes performed as defined in the project management plan.</p>
	Project Reporting	<p>Reporting the necessary persons on project progress to enable monitoring and control</p>
	Project Monitoring	<p>Monitoring and Controlling consists of those processes performed to observe project execution so that potential problems can be identified in a timely manner and corrective action can be taken, when necessary, to control the execution of the project. The key benefit is that project performance is observed and measured regularly to identify variances from the project management plan.</p>

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	Operational Reporting	Operational Plans
		<p>An operational planning is a subset of strategic work plan. It describes short-term ways of achieving milestones and explains how, or what portion of, a strategic plan will be put into operation during a given operational period, in the case of commercial application, a fiscal year or another given budgetary term. An operational plan is the basis for, and justification of an annual operating budget request. Therefore, a five-year strategic plan would need five operational plans funded by five operating budgets.</p> <p>Operational plans should establish the activities and budgets for each part of the organisation for the next 1 – 3 years. They link the strategic plan with the activities the organization will deliver and the resources required to deliver them.</p> <p>An operational plan draws directly from agency and program strategic plans to describe agency and program missions and goals, program objectives, and program activities. Like a strategic plan, an operational plan addresses four questions:</p> <ul style="list-style-type: none"> • Where are we now? • Where do we want to be? • How do we get there? • How do we measure our progress?
		Performance Measures
		<p>Every process should have a balanced set of measurements against which its performance can be tracked, communicated and improved.</p> <p>Three types of measurement are required:</p> <ul style="list-style-type: none"> • Internal measures (e.g. Volume, Time, Cost)

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	<ul style="list-style-type: none"> • Output measures (e.g. Accuracy, Quality, Timeliness) • Satisfaction measures (e.g. Perception, Compliments, Awards) <p>Internal measures assess the basic performance of the process. Output measures assess the quality of its intermediate or final outputs. Both (Internal and Output) can be measured without involving the customer(s) of the process. Satisfaction measures are direct assessments of the customer's view of the process.</p> <p>The measurements you select should be based on the purpose of the process. For example, a process to recruit staff exists to provide the right people, in the right place, with the right skills, at the right time. You will need to know how many people (Volume) are being recruited. Timeliness is also important – is the person available, when needed? Quality of recruit is essential – do they meet agreed criteria? Finally, you will want to measure Line Managers' perceptions of the process and the employees it supplies.</p> <p>As a Process Owner, you may only need 4-7 measures to manage and continuously improve any process. If you have too many, you probably don't understand what is really important about your process.</p>
Operational Information Management	<p>Information management (IM) is the collection and management of <u>information</u> from one or more sources and the distribution of that information to one or more audiences. This sometimes involves those who have a</p>

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			<p>stake in, or a right to that information. <u>Management</u> means the organization of and control over the structure, processing and delivery of information.</p> <p>Operational information management is therefore the management of information relating to performance measures set in terms of operations.</p>
		Operational Reporting	<p>A performance report or report or operational report is a <u>report on the performance of something</u>. They are routinely produced by <u>government bodies</u> which, being financed by public money, are required to show that the money was spent efficiently and usefully. Such reports will contain <u>performance indicators</u> which measure the achievements of the organisation and its programmes.</p>
	Assurance Providers	Internal Audit	<p>Internal auditing is a profession and activity involved in helping organizations achieve their stated objectives. It does this by using a systematic methodology for analyzing business processes, procedures and activities with the goal of highlighting organizational problems and recommending solutions.</p>
		Auditor General	<p>The external auditor of Government departments, entities primarily responsible for expressing an opinion on the financial statements</p>
Financial	Financial Reporting	Accounting Standards: Standard Charter of Accounts	<p>The SCOA in essence comprises the coding of items used for classification, budgeting, recording and reporting of revenues and expenditures within the accounting system, in order to facilitate the recording of all transactions</p>

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		affecting assets and liabilities.
	Regulatory & Compliance	External requirements for reporting financial information under prescribed guidelines, i.e. GAAP, KING II, PFMA etc.
	Market	Interest Rate
		Price paid per unit of money borrowed per year or other unit of time. This impacts the market value of securities and other assets.
		Foreign Exchange
		The currency of another market that is needed to carry out international transactions.
		Economic Indicators
		An economic indicator (or business indicator) is a statistic about the economy. Economic indicators allow analysis of economic performance and predictions of future performance.
		Capital Markets
		A capital market is a market for securities (both debt and equity), where business enterprises (companies) and governments can raise long-term funds. It is defined as a market in which money is lent for periods longer than a year ^[1] , as the raising of short-term funds takes place on other markets (e.g., the money market). The capital market includes the stock market (equity securities) and the bond market (debt). Financial
		CPIX
		CPIX is measured by excluding one section of the CPI basket of goods and services, the owner's equivalent rent, from the calculation
	Liquidity & Credit	Collectability
		Optimal level of payment received occurring as a result of

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			a prior business transaction, i.e. property rentals, debtors payments, management fees received, etc.
		Cash Management & Treasury	Resources used to monitor day-to-day decisions related to the administration of funded activities.
		Funding	Portfolio of capital investments that are expended based on specified commitments or in accordance with terms of an agreement, including transfer payment/funding.
		Debt Service Ability	The debt service coverage ratio (DSCR), is the ratio of cash available for debt servicing to interest, principal and lease payments. It is a popular benchmark used in the measurement of an entity's (person or corporation) ability to produce enough cash to cover its debt (including lease) payments. The higher this ratio is, the easier it is to obtain a loan. The phrase is also used in commercial banking and may be expressed as a minimum ratio that is acceptable to a lender; it may be a loan condition or covenant. Breaching a DSCR covenant can, in some circumstances, be an act of default
	Capital Structure	Equity	The legal interest in property or business over what is owed.
		Debt	Money, goods, or services that are owed to another by virtue of an agreement – expressed or implied.
Information	Information Communication & Technology Systems	IT Strategy & Planning	Optimised IT Optimised IT strategic planning is a documented, living process, is continuously considered in business goal setting and results in discernable business value through investments in IT. Risk and value added

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		<p>considerations are continuously updated in the IT strategic planning process. There is an IT strategic planning function that is integral to the business planning function. Realistic long-range IT plans are developed and constantly being updated to reflect changing technology and technology and business-related developments. Short-range IT plans contain project task milestones and deliverables, which are continuously monitored and updated, as changes occur. Benchmarking against well-understood and reliable industry norms is a well-defined process and is integrated with the strategy formulation process. The IT organisation identifies and leverages new technology developments to drive the creation of new business capabilities and improve the competitive advantage of the organisation</p>
	Hardware	The mechanical, magnetic, electronic, and electrical devices comprising a computer system, as the CPU, disk drives, keyboard, or screen.
	Software	The programs used to direct the operation of a computer, as well as documentation giving instructions on how to use them.
	Networks	A system containing any combination of computers, computer terminals, printers, audio or visual display devices, or telephones interconnected by telecommunication equipment or cables: used to transmit or receive information.
	Policies & Procedures	The process for user and operational documentation is constantly improved through the adoption of new tools or methods. The procedure materials are treated as a constantly evolving knowledge base which is maintained electronically using up-to-date knowledge management,

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		workflow and distribution technologies, making it accessible and easy to maintain. The material is updated to reflect organisational, operational and software changes and is fully integrated into the business processes definition, thus supporting organisation-wide requirements, rather than only IT-oriented procedures
▲		Software Development & Change Management, Control Control over the IT process Manage Changes with the business goal of <i>minimising the likelihood of disruption, unauthorised alterations and errors</i>
▲		Security Information security means protecting information and information systems from unauthorized access, use, disclosure, disruption, modification or destruction
▲		Archiving The archives of an organization (such as a corporation or government) tend to contain records, such as administrative files, business records, memos, official correspondence and meeting minutes. In general, archives consist of records which have been selected for permanent or long-term preservation, due to their enduring research value. Archival records are normally unpublished and almost always unique, unlike books or magazines for which many identical copies exist. This means that archives (the places) are quite distinct from libraries with regard to their functions and organization, although archival collections can often be found within library buildings.
▲		Data Integrity To manage data with the business goal of ensuring that data remains complete, accurate and valid during its input, update and storage
▲		Systems Recovery System Recovery: The restoration of a database to the state it was in when a problem stopped further data

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		processing
Information Management	Database Planning & Development	Activities relating to the planning and development of the information management architecture.
	Organisation & Monitoring	
	Information Resources	Identifying information requiring capture
	Business Continuity	<p>Business Continuity is the activity performed by an organization to ensure that critical business functions will be available to customers, suppliers, regulators, and other entities that must have access to those functions. These activities include many daily chores such as project management, system backups, change control, and help desk. Business Continuity is not something implemented at the time of a disaster; Business Continuity refers to those activities performed daily to maintain service, consistency, and recoverability.</p> <p>The foundation of Business Continuity are the policies, guidelines, standards, and procedures implemented by an organization. Business continuity is sometimes confused with disaster recovery, but they are separate entities. Disaster recovery is a small subset of business continuity...</p>
	Records Management	Records management, or RM, is the practice of maintaining the records of an organization from the time they are created up to their eventual disposal. This may include classifying, storing, securing, and destruction (or in some cases, archival preservation) of records.
	Knowledge Management	Knowledge Management (KM) comprises a range of

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			practices used in an organisation to identify, create, represent, distribute and enable adoption of insights and experiences. Such insights and experiences comprise knowledge, either embodied in individuals or embedded in organisational processes or practice. KM efforts typically focus on organisational objectives such as improved performance, competitive advantage, innovation, the sharing of lessons learned, and continuous improvement of the organisation. KM efforts overlap with Organisational Learning, and may be distinguished from that by a greater focus on the management of knowledge as a strategic asset and a focus on encouraging the sharing of knowledge. KM efforts can help individuals and groups to share valuable organisational insights, to reduce redundant work, to avoid reinventing the wheel per se, to reduce training time for new employees, to retain intellectual capital as employees turnover in an organisation, and to adapt to changing environments and markets
▲ Compliance	Statutory	International Legislation	The body of rules that nations generally recognize as binding in their conduct toward one another.
		National Legislation	
		Provincial Legislation	
		Municipal Legislation	
		Legal Precedence	
	Policy & Procedure	Policy	A definite course of action adopted for the sake of

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		expediency, facility, etc. (what needs to be done)
		Procedure A mode of action to give effect to a particular policy.(how it should be done)
	Contractual	Contracts In law, a contract is a binding legal agreement that is enforceable in a court of law. That is to say, a contract is an exchange of promises for the breach of which the law will provide a remedy.
		Agreements An expression of assent by two or more parties to the same object. The phraseology, written or oral, of an exchange of promises.
		Memorandum of understanding A formal agreement between two parties normally used to define roles and responsibilities
	International Agreements	Accords An international agreement; settlement of questions outstanding among nations
		International Norms & Standards Generally recognised benchmarks to which organisations should aspire. While they are not compulsory, unless addressed through an accord, all efforts should be made to attain these standards

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