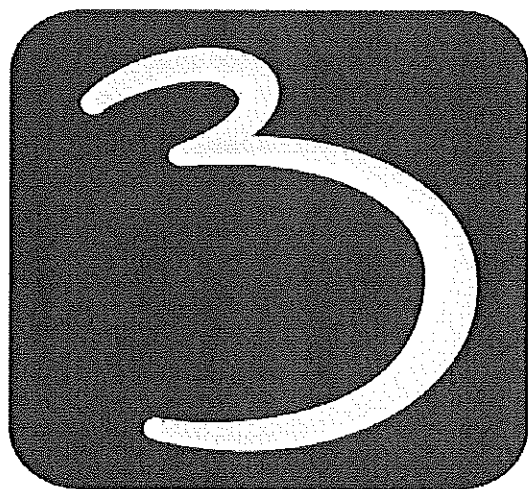


Risk management policy



***Boxing
South
Africa***

INDEX	Page
1. Introduction	3
2. Terms and definitions	3
3. Objectives of the policy	4
4. Risk management process	5
5. Risk assessment process	11
6. Responsibilities	12
7. Reporting structures	13
8. Timing	13
9. Audit and Review	13
10. Communication	
11. Approval and implementation	14
12. Levels of Approval	14

1. Introduction

BSA is committed to managing risk to meet its fiscal, environmental and social responsibilities.

In terms of section 38 (1) (a) (i) of the Public Finance Management Act, the Accounting Officer has to ensure that the Public Entity has and maintains effective, efficient and transparent systems of financials and risk management and internal control.

The CEO is responsible for developing risk management strategies and practices within BSA and for ensuring that these strategies are communicated to and practised by all employees.

In support of its mission and deliverables, BSA is committed to, and places a high priority on managing its risks strategically and systematically. Risk management is an activity that begins at the highest level and is applied consistently through all levels of management. All managers and staff are therefore required to integrate risk management procedures and practices into their daily activities.

This policy integrates risk management into all aspects of BSA activities and processes.

BSA has also developed a Risk Management Framework which should be read in conjunction with the entities policy. Refer to ANNEXURE A attached for the detailed RISK MANAGEMENT FRAMEWORK.

2. Definition of Terms

Risk

'...the possibility of something happens that impacts on your objectives. It is the chance to either make a gain or a loss. It is measured in terms of likelihood and consequence.'

Risk Management

'...Is the culture, processes and structures which are directed towards the effective management of potential opportunities and threats to the Entity and its contribution to the public.'

Risk Assessment

'...is a screening device that facilitates rapid identification of potential problems that may require corrective action. Through risk assessments, risk areas are ranked in priority order according to the probability and severity of adverse outcomes.'

Risk Management Framework

'... set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the entity.'

Risk Management Policy

'...statement of overall intentions and direction of entity related to risk management.'

Risk Owner

'...person with the accountability and authority to manage the risk.'

Monitoring

'... continual checking, supervising, critically observing or determining the status in order to identify changes from the performance level required or exposed.'

Review

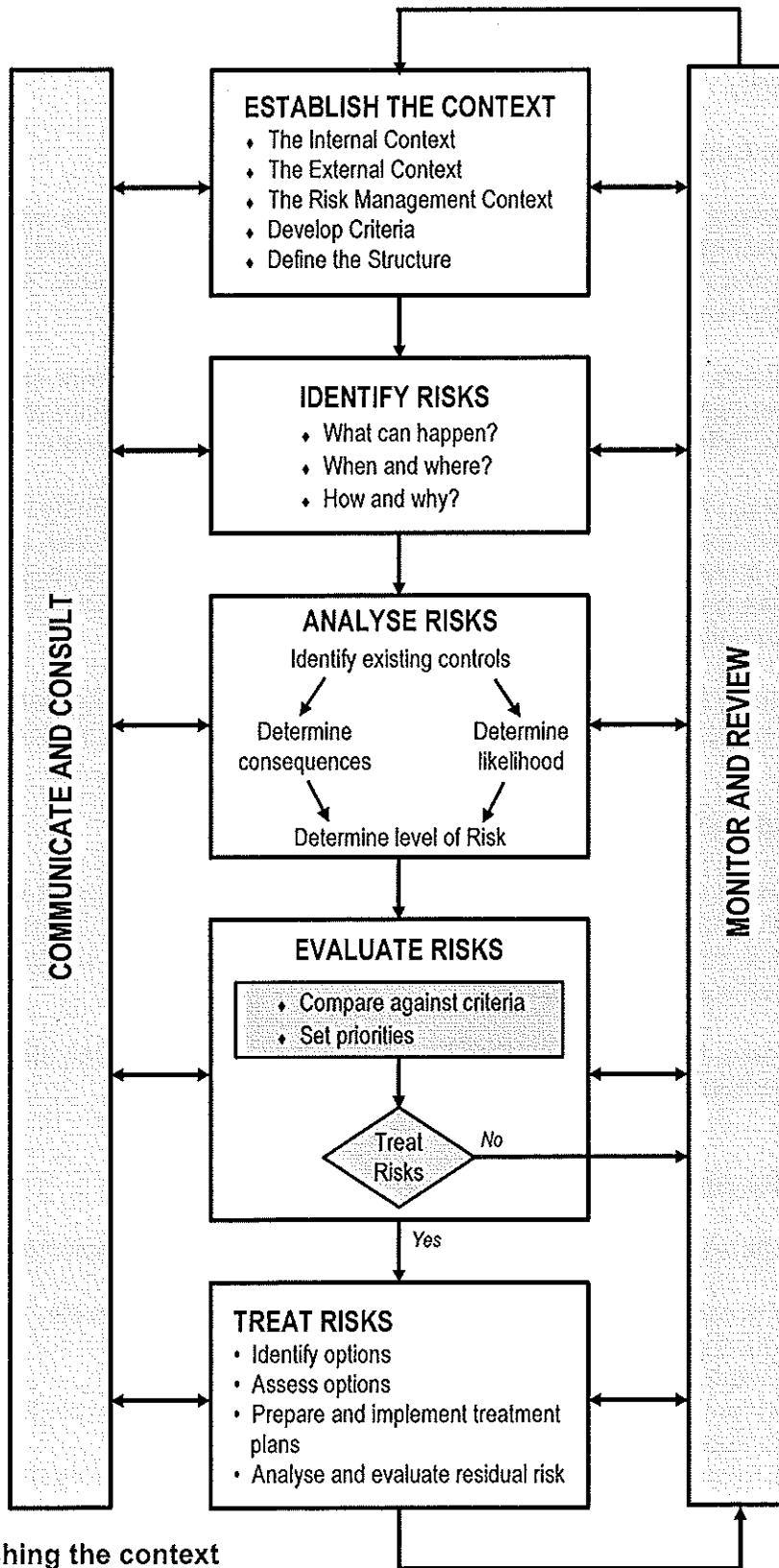
'...activity undertaken to determine the suitability, adequacy and effectiveness of the subject matter to achieve established objectives.'

3. Objectives of the policy

- Enhance stakeholder and staff safety,
- Ensure that the knowledge, skills and attitudes required for successful risk management are included in appropriate Entityal training and career development courses,
- Integrate risk management into our daily decision making processes,
- Ensure that our risks are identified, monitored and treated,
- Integrate risk assessment and planning processes, and
- Ensure Key Performance Indicators include our risk management processes.

4. Risk management process

An overview of the Risk Management Process is illustrated below.



4.1 Establishing the context

Establishing the context involves an understanding and appraisal of the entities external relationships, its own internal and organisational environment and the risk management environment in which the stages of the risk management process are followed. This also assists in establishing the assessment criteria for risk analysis as to whether the risks are acceptable or not.

Any activity under review should relate to the strategic objectives, strategies and targets of the entity so that any identified risks are linked directly to the objectives which are most critical to the success of the Entity.

4.2 The Strategic Context

Prior to undertaking a risk assessment, it is important to understand the external environment in which the Entity operates. For example, from a strategic perspective, there is a need to consider business, social and cultural, political, economic, financial, technological, economic, natural and competitive environment, regulatory and legal.

External stakeholders should be consulted and may include government entities, the community, contractors, and suppliers etc. Their views and perceptions should be considered together with an assessment of the Entity's strengths, weaknesses, opportunities and threats.

The Entity's Strategic Plan sets out the vision over a year period. The Entity has critically examined what is required in the next 3 years to enable it to fully realise its Vision and Mission. The four cornerstones for building a strong and vibrant entity that emerged through consultations were Transparency, Respect, Excellence, and Everyone. These will give entity the edge in its service delivery and community service.

The Entity's Strategic Plan is reviewed annually to identify changes in the entity's external strategic environment; measure performance against the targets set and adjusts strategies.

4.3 The Operational Context

Before undertaking a risk assessment, the internal and operational context should be established which includes an understanding of the Entity's goals and objectives, management (governance) and organisational structures, roles and responsibilities, systems, processes, resources, key performance indicators, and other drivers

Internal stakeholders should be consulted and may include management, staff and labour etc. and their views and perceptions considered accordingly.

4.4 The Risk Management Context

The reasons for the risk assessment being carried out needs to be established, in particular:-

- define the scope and objectives of the assessment, for example, compliance with new legislation, project evaluation, etc;
- specify the nature of the decisions that have to be made;
- define the extent of the project activity or function in terms of time and location;
- identify resources and planning requirements;
- identify the roles and responsibilities of the various parts of the organisation participating in the risk management process.

4.5 Setting Risk Criteria

Consideration is given to the following important criteria:-

- Risk Impact – to assess if the risk actually occurred, and the consequences, in particular, the impact on areas such as business continuity, human and financial resources, the community, the environment, image, reputational damage, legal and political implications etc.
- Risk Likelihood – to assess the likelihood of a particular risk occurring.
- Management Control Ratings – an assessment of the management controls in place which will have a bearing on the outcome of the residual risk ratings.
- Net Risk Ratings are the ratings allocated after the management controls have been applied. The outcome of these ratings will determine further actions and treatments required.

The Entity Top Management has agreed that risks identified as *Extreme or High* require further formal action and monitoring.

4.6 Risk Register

The entities Risk register will be maintained as Microsoft Excel and an online access will be made available to all appropriate authorities when necessary.

The Risk Registers contain the following information:-

- Risk Reference
- Risk description
- Risk Ratings
- Control in place
- Control effectiveness
- Action to control management of risk
- Accountable/Responsible Officer
- Timescales for the implementation of action plans

The Risk Registers will be reviewed and updated throughout the year on a regular basis. In particular the process should help inform the annual Performance Reviews and Planning process.

4.7 Risk Identification methods

In order not to exclude critical risks, it is important to undertake a systematic and comprehensive identification of all risks including those not directly under the control of the Entity. The following questions should be addressed and "What If Scenarios" considered when undertaking an initial assessment:

- What can happen?
- Where can it happen?
- When can it happen?
- Why can it happen?
- How can it happen?
- What is the impact?
- Who is responsible?
- Are there any fraud or corruption aspects?

Approaches used to identify risks include:-

- Use risks already identified in the risk registers, strategic plans, operational plans, and other key Entity source documents;
- Checklists, surveys, questionnaires• team based brainstorming, structured interviews, focus groups, personal experiences;
- facilitated workshops;
- flow charting, systems analysis;
- Experience, local and overseas knowledge
- Records, databases, insurance claims
- Past organisational experiences
- Internal and external reports/audits.

4.8 Risk Documentation

All risks identified are documented in the risk registers.

4.9 Risk Analysis

Risk analysis helps inform decisions about which risks require treatment strategies. The Entity considers risks based on the combination of the consequences and the likelihood that consequences can occur. Analysis can be qualitative, semi qualitative or quantitative, or combination of these, depending on the circumstances.

There are many tools and techniques available for analysing risks and the following sources of information may be referred to:-

- Past records;
- Practice and relevant experience;
- Published literature;
- Market research;
- Economic and system models;
- Specialist and expert judgement;
- Focus groups;
- Structured interviews, questionnaires.

4.10 Risk Evaluation

The purpose of risk evaluation is to assist in making decisions, base on the outcomes of the risk analysis, about which risks need treatment and the priority for treatment implementation.

Risk evaluation involves comparing the level of risk found during the analysis process with the risk criteria established.

The Entity formally evaluates risks at two levels, the gross risk rating, i.e. before management controls have been considered and the net risk rating, i.e. the gross risk rating combined with an assessment of management controls.

4.11 Treat and manage risks

It is important that where risks have been assessed as *Extreme* or *High*, that action plans are put into place to manage and mitigate the risks. It is unlikely that risks will ever be entirely eliminated, but by demonstrating that actions are being implemented, the risks may be reduced to a more acceptable level.

There are a number of options available for treating risks. These should be considered in the light of cost and benefit for implementing action.

Accept the Risk: Where risks are identified as unavoidable or no suitable treatment plans are available, the Entity should accept the risk.

Reduce the Likelihood and Impact: This may be achieved by consideration of the following actions:-

- Structured training and supervision of staff;
- Periodic testing of controls, e.g. fire alarms,
- Enhanced management controls such as reviewing policies and procedures, quality control checks;
- Improved compliance monitoring and audit programs
- Contingency planning such as Disaster Recovery plans, Business Continuity plans
- Fraud and Corruption control programs;
- Better contractual arrangements;
- Introduce more preventative and corrective measures

Transfer the Risk: This involves other parties bearing or sharing the risk either partially or in full. This may be through insurance arrangements, contracts, partnerships and/or joint ventures.

Avoid the Risk: This can be done by deciding not to start or continue with a particular activity that gives rise to the risk. However, the business objectives still need to be borne in mind and inappropriate risk aversion may increase other risk areas.

4.12 Evaluate risk treatment options and select option

Selecting the most appropriate risk treatment option should be made by considering the following issues:-

- The cost of managing risks must be balanced against the benefits obtained;
- The extent of risk reduction gained;
- The extent to which there is an ethical or legal duty to implement a risk treatment option which may override any cost/benefit analysis;
- How sensitive is the risk to the Entity's image and reputation and its perception by stakeholders and external parties. This may warrant implementing costly actions.

4.13 Prepare and implement treatment plans

The risk management treatment plan (see *Appendix 6*) includes the following:-

- Risk identified;
- Proposed actions;
- Cost/benefit analysis (where appropriate);
- Cross referenced to the operational plan
- Accountable and Responsible Officers

- Timescales

For the treatment plans to be successfully implemented, there is a requirement for an ongoing review and reporting of the progress against the actions stated.

5. Risk assessment process

- 5.1. Identify personnel that will be responsible for ensuring that management controls are in place and working as intended by carrying out risk assessments and risk management reviews.
- 5.2. Risk areas within the BSA must be identified by reviewing various information such as organizational charts, functional statements, and previous reviews. This allows BSA to be segmented into reviewable risk areas.
- 5.3. A risk assessment must be performed at least annually which is a brief evaluation (2-3 hours) of the susceptibility of a component of a programmatic or administrative area to waste, fraud, abuse, or mismanagement
- 5.4. The risk assessment process rates risk areas as high-, medium-, or low-risk. On the basis of these ratings and the probability and severity of adverse outcomes, an annual plan is prepared, prioritizing and identifying the risk management reviews to be conducted.
- 5.5. Risk management reviews are detailed evaluations of the system of management controls used by a particular function or activity. By testing these controls, risk management reviews determine whether controls are adequate and are working as intended, and whether new controls are needed.
- 5.6. If a risk assessment or risk management review identifies any weaknesses, corrective action should be taken immediately—or a corrective action plan should be developed indicating what corrective steps will be taken, and when.
- 5.7. Corrective actions are tracked centrally until all weaknesses are corrected.
- 5.8. Annual reports are prepared for the Accounting Officer and the Executive Authority, through Risk Management, detailing the status of risk management within BSA.

6. Responsibilities

6.1. Board

- a) The board/accounting Officer is ultimately accountable to the Executive Authority for ensuring that there is a risk management in place as part of the entities Corporate Governance framework and in line with the Public Finance Management Act and King Code of Good Practise.

6.2. CEO

- a) Establish and maintain a climate of risk awareness and intelligence,
- b) Develop and maintain governance mechanisms that effectively monitor risks and their management,
- c) Ensure managers and staff receive support and training to fulfil their responsibilities, and
- d) Set requirements for risk management and ensure that they are consistent with our business, ethical and professional standards.

6.3. Management

- a) Integrate risk management into all aspects of their business,
- b) Systematically identify, analyse, evaluate and treat any risk that might impact on their objectives, and
- c) Ensure that risk management practices and treatments are:
- d) consistent with BSA requirements,
- e) monitored to ensure that management strategies remain effective, and
- f) Commemorate with the level of risk exposure.

6.4. All staff

- a) Systematically identify, analyse, evaluate and treat any risk that might impact on their objectives,
- b) Maintain an awareness of risks (current and potential) that relate to their area of responsibility,
- c) Actively support and contribute to risk management initiatives, and
- d) Advise their managers of risk issues they believe require attention.

7. Reporting requirements

The identification and treatment of risks as per risk assessment reports must be submitted to the appropriate committees as follows:

7.1 Audit committee

The progress of the action plans of risk assessments and risk registers will be reported to the Audit Committee twice during the year and will form part of the annual performance against plan.

7.2 Accounting authority

Report on risk assessment should be included in the quarterly report for submission to the executive authority and the accounting authority should review and provide their input if necessary.

7.3 Executive authority

Quarterly reports should include risk assessment reports.

8. Timing

Documentation of the risk management process should be carried out at each stage for the following reasons:-

- It gives integrity to the process and is an important part of good corporate governance;
- It provides an adequate audit trail and evidence of a structured approach to risk identification and analysis;
- It provides a record of decisions made which can be used and reviewed in the future;
- It provides a record of risks for the entity which can be continuously developed.

9. Audit and review

- A programme of regular audits and reviews to ensure that the risk management procedures are being followed and that planned risk reduction/mitigation actions have been implemented.
- A regular review of the risk management policies and procedures to ensure that they continue to meet Corporate Governance requirements and the needs of the business.

10. Communication

Communication and consultation should be carried out at each stage of the risk management process with all relevant parties and entity stakeholders. Strong communication and consultation allows buy-in from top management and ownership of risks and engages fully with the experts.

The Entity's Top Management will deliver and maintain a Risk Management System within its entity. This will include coordination of the risk management processes described in this framework, for example, maintaining risk registers, and assessing progress with risk owners. This should provide the Accounting Officer with risk updates and assess whether any decisions made could impact the existing processes. The Top management team must provide a focus and reference point for staff concerns about risk matters.


11. Approval and implementation

- 11.1. The policy should be approved and accepted by the Accounting Authority and endorsed by the Risk & Audit Committee.
- 11.2. This policy is effective from the date of approval by the Chairperson of the Accounting authority.
- 11.3. The CEO will be responsible for implementation and monitoring of the policy.
- 11.4. The policy will be reviewed on an annual basis and revision thereto must obtain Board approval.

12. Level of approval

Dr P Ngatane

Board Chairperson



Signature

2011-05-06

2011-05-06

Date

2011-05-06