Risk governance in the water services sector

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A recently completed Water Research Commission (WRC) study investigated the nature and maturity of risk management and governance practices in a selection of water service authorities and water service providers in South Africa. The study also provided a number of South African and international case studies in risk governance, and finally developed a risk governance implementation guide for South African water utilities.

Background

Managing risk within water utilities offers a myriad of benefits, including improved customer satisfaction, regulatory and investor trust, better operational performance, heightened emergency preparedness, better access to finance, more effective use of public and investor funds and greater employee engagement.

An evaluation of commonly used risk management and governance practices in South African water institutions showed that, historically, risk has been managed through traditional linear approaches. This type of risk management is usually focused on operational risks, such as water quality and asset failure. However, many of the risks associated with the delivery of water and sanitation services are systemic, interconnected and a function of various complex processes and systems that extend beyond the immediate operating environment. Such diverse risks call for a move towards more iterative frameworks of risk governance rather than just risk management.

Such frameworks adopt holistic processes that embed decision-making in all levels of an organisation, across all functions and encourage collaborative stakeholder engagement. Risk governance now includes a more strategic view of risk and the human and organisational factors; including accountability, collaboration, decision-making, sharing of risk and reward, communication, leadership and organisational culture. The true value of risk governance comes when it is integrated into wider business functions.

The WRC study found that the interpretation of the legislation and guidelines and the implementation of risk-based approaches varies widely in South Africa, and some water service authorities and water service providers are still not undertaking sound risk management and governance.

Now more than ever it is necessary for all stakeholders in the water sector to ensure risk management is improved and integrated into wider business functions. This must occur within a framework of good governance and accountability, and in so doing will contribute to better service delivery and water stewardship.

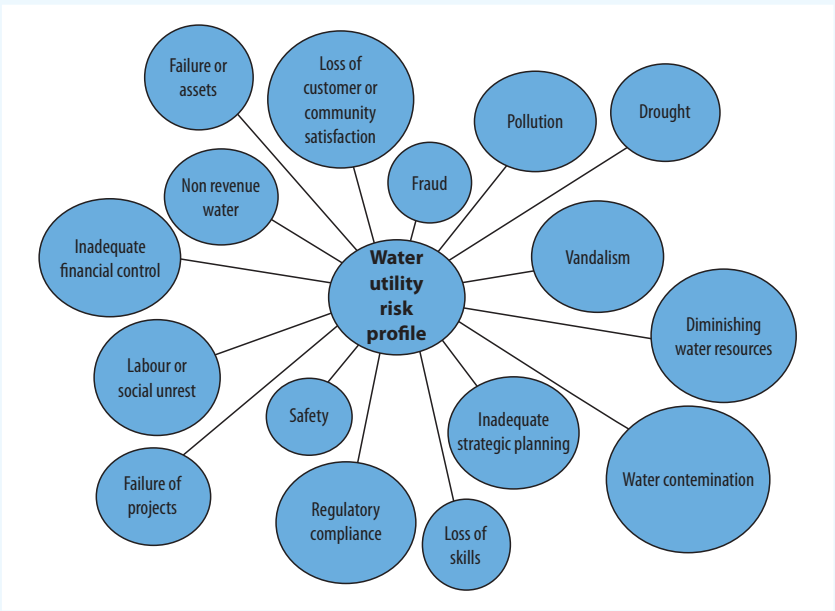

Figure 1 – The risks water utilities now face extend beyond the immediate operational environment. Many risks are influenced by regional, national and even international events.

Best practices in risk governance

Part of the WRC study was aimed at understanding how a selection of water service authorities and water service providers undertake risk governance with the objective of identifying what makes this work and the value this is adding. A risk maturity benchmarking model was developed to collect the data. The model was used to assess the risk maturity of 13 water sector organisations. Findings from the WRC study showed that the overall average maturity of the organisations varied from 2.4 to 3.9 (out of a possible score of 5). The water boards and the metropolitan municipalities were found to have a higher maturity level compared to the smaller municipalities or municipal entities. The study further found that all organisations assessed undertaken risk management primarily in the form of routine risk assessments, water safety and wastewater risk abatement planning. On the plus side, most organisations had established some risk governance practices, and were moving towards a governance approach to risk at an enterprise level.

In some cases organisations have developed a managed approach that exceeds regulatory requirements and extends across core business areas. In order to provide some inspiration to water utilities to start their own journey to risk governance excellence, a compendium of case studies highlighting good examples of risk governance in the water sector was developed from this WRC study.

Implementation guide for South African water utilities

Another output from the study is an implementation guide aimed at providing guidance to water utilities in the planning, implementing and improvement of risk governance activities, irrespective of the utilities' size, legal entity or experience. The guide focuses on the practical steps that can be taken to achieve best practice and the main competencies required.

The guide is intended for water utility managers as well as anyone else who may have some responsibility for risk management in their organisation. It will be particularly useful for organisations that want to establish a new risk governance framework where none exists or to improve existing risk governance activities.

Further reading:

To order the reports: *Risk governance in the South African water services sector: Business value creation & best practice* (**Report No. 2416/1/15**); *Risk governance in the South African water services sector: Business value creation and best practice* (**Report No. TT 667/16**); *Water sector risk governance – A compendium of South African and international case studies* (**Report No. TT 668/16**); *Water sector risk governance – An implementation guide for South African water utilities* (**Report No. TT 669/16**) contact Publications at Tel: (012) 330-0340; Fax: (012) 331-2565; Email: orders@wrc.org.za or Visit: www.wrc.org.za to download a free copy.