MUSINA
LOCAL MUNICIPALITY

ENTERPRISE RISK MANAGEMENT POLICY

2021/22

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1. INTRODUCTION

Musina Local Municipality (MLM) has committed itself to be a vehicle of affordable quality services and stability through socio-economic development and collective leadership within its jurisdiction in a continually changing environment. As such the potential for disruption to services, loss of opportunities or damage to assets from a wide range of risks is inherent. It is therefore important that the municipality takes steps to minimize the potential for loss or damage through proactive risk management.

2. RISK AND RISK MANAGEMENT

Risk refers to an unwanted outcome, actual or potential, to the municipality's service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present upside potential, which management must be aware of and be prepared to exploit. Such opportunities are encompassed in this definition of risk.

Risk management is a continuous, proactive and systematic process, effected by Council, management and personnel, applied in strategy setting and across the operations of the municipality, designed to identify potential events that may affect the achievement of set objectives, and to enable management of risks to be within the municipality's risk appetite, so as to provide reasonable assurance regarding the achievement of municipality objectives."

2.1 BENEFITS OF RISK MANAGEMENT

MLM implements and maintains effective, efficient and transparent systems of risk management and internal control. Risk management will assist the municipality to achieve, among other things, the following outcomes needed to underpin and enhance performance:

- more sustainable and reliable delivery of services;
- informed decisions underpinned by appropriate rigor and analysis;
- innovation;
- reduced waste;
- prevention of fraud and corruption;
- better value for money through more efficient use of resources; and
- better outputs and outcomes through improved project and programme management.

3. POLICY INTENT

The aim of this policy is to ensure that MLM makes informed decisions with regard to the activities that it undertakes by appropriately considering both risks and opportunities.

The municipality recognizes that risk management is a systematic and formalized process to identify, assess, manage and monitor risks and therefore adopts a comprehensive approach to the management of risk.

4. POLICY STATEMENTS

At MLM we are committed to effective risk management and treatment of risks in order to achieve our vision, mission and key objective and to protect our core values. We are committed to a process of risk management that is aligned to the principles of good corporate governance, as supported by the **Municipal Finance Management Act (MFMA), Act no 56 of 2003, Treasury Regulations and King IV Report.**

Risk management is recognised as an integral part of responsible management and the Municipality therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in the risk management strategy. It is expected that all departments / sections, operations and processes will be subject to the risk management strategy. It is the intention that these departments / sections will work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable. **Refer to MLM Risk Management Strategy 2021/22**

Effective risk management is imperative to MLM to fulfil its mandate, the service delivery expectations of the public and the performance expectations within the municipality.

The realization of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardize the direct interests of stakeholders. Sound management of risk will enable us to anticipate and respond to changes in our service delivery environment, as well as to take informed decisions under conditions of uncertainty.

We subscribe to the fundamental principles that all resources will be applied economically to ensure:

- The highest standards of service delivery;
- A management system containing the appropriate elements aimed at minimizing risks and costs in the interest of all stakeholders;
- Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholders expectations; and
- Maintaining an effective risk environment, this promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction. An entity-wide approach to risk management will be adopted by Musina Municipality, which means that every key risk will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into systems and processes, ensuring that our responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the municipal objectives. Equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

The risk management policy statement applies throughout the municipality and shall be reviewed annually to reflect the current stance on risk management.

Every employee has a part to play in this important endeavour and we look forward to working with you in achieving these aims.

5. POLICY OBJECTIVES

The objectives of this policy are to help management:

- To explain MLM's approach to risk management and ensure that it has a consistent and effective approach to risk management;
- To ensure that MLM's culture and processes encourage the identification, assessment and treatment of risks that may affect its ability to achieve its objectives;
- To explain key aspects of risk management;
- To clearly indicate the risk management reporting procedures;
- To hold Council, management and employees accountable for the implementation of risk management on their area of responsibility;
- To create an environment where all MLM employees take responsibility for managing risk;
- To create a more risk aware organizational culture through enhanced communication and reporting of risk;
- To improve corporate governance and compliance with relevant legislation;
- The implementation of this policy will provide Musina Municipality with a basis and a framework for:
    - more confident and rigorous decision-making and planning;
    - better identification of opportunities and threats;
    - pro-active rather re-active management;
    - more effective allocation and use of resources;
    - improved management and reduction in loss and cost of risk;
    - improved stakeholder confidence and trust;
    - a clear understanding by all staff of their roles, responsibilities and authority for managing risk.

6. ACCESS TO INFORMATION

It is MLM's policy that the Risk Management Manager and staff of risk management unit are authorized to:

- Have unrestricted access to all municipality's functions, records, property and personnel.

- Have full, free and unrestricted access to the Accounting Officer, the Chairperson of the Risk Management Committee, management meetings and the Auditor-General.

- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish risk management objectives.

- Obtain the necessary assistance of personnel in units of the municipality where risk assessments are performed, as well as other specialized services from within or outside the Municipality.

- Risk management must be a standing item on the management meetings.

7. DECLARATION OF INTEREST

The independent Risk Management Committee (RMC) Chairperson will sign a declaration of interest in every sitting (meeting).

8. ROLE PLAYERS

8.1 RISK MANAGEMENT OVERSIGHT

8.1.1 EXECUTIVE AUTHORITY/ COUNCIL

Executive Authority/ Council takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the municipality against significant risks.

8.1.2 AUDIT COMMITTEE

The Audit Committee is an independent committee responsible for oversight of the municipality's control, governance and risk management. The responsibilities of the Audit Committee with regard to risk management are formally defined in its charter.

The Audit Committee provides an independent and objective view of the municipality's risk management effectiveness.

8.1.3 RISK MANAGEMENT COMMITTEE

The RMC is appointed by the Accounting Officer to assist him to discharge his responsibilities for risk management.

The committee's role is to review the risk management progress and maturity of the municipality, the effectiveness of risk management activities, the key risks facing the municipality, and the responses to address these key risks.

The responsibilities of the committee are formally defined in the RMC Charter.

8.2 RISK MANAGEMENT IMPLEMENTERS

8.2.1 ACCOUNTING OFFICER

The Accounting Officer is the ultimate Chief Risk Officer of the municipality and is accountable for the municipality's overall governance of risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

8.2.2 MANAGEMENT

Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management into the operational routines.

8.2.3 OTHER OFFICIALS

Other officials are responsible for integrating risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

9. RISK MANAGEMENT SUPPORT AND REPORTING PROCESS

9.1.1 REPORTING BY THE MANAGER: RISK MANAGEMENT

The Risk Management Manager is the custodian of the Risk Management Policy, and coordinator of risk management activities throughout the municipality. The primary responsibility of the manager is to bring to bear his/her specialist expertise to assist the municipality to embed risk management and leverage its benefits to enhance performance.

Departments must submit monthly reports on risk management activities in their various departments to the Risk Management Unit. The Manager will submit a quarterly report to the RMC for oversight purposes.

The RMC Chairperson will then submit a committee report to the Audit Committee, on risk management activities not limited to the following:

- What has been done to date to implement the control measures in different units,
- The effectiveness of the control measure in addressing / eliminating / managing the identified risks.
- Any new potential risks that may arise in different units.
- The extent in which the culture of risk management has been implemented in the Municipality.

9.1.2 RISK CHAMPION

The Risk Champion's responsibility involves intervening in instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of municipality's skills and expertise.

Every department will, on annual basis, nominate an official to act as the risk champion.

9.2 RISK MANAGEMENT ASSURANCE PROVIDERS

9.2.1 INTERNAL AUDIT

The role of the Internal Auditing in risk management is to provide an independent, objective assurance on the effectiveness of the municipality's system of risk management. Internal Audit must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

9.2.2 EXTERNAL AUDIT

The external auditor (Auditor-General of South Africa) provides an independent opinion on the effectiveness of risk management.

10. MONITORING & EVALUATION

The Risk Management Manager must monitor the effectiveness of risk mitigating strategies on a monthly basis.

The RMC must monitor implementation and effectiveness of the risk management function quarterly.

The internal audit unit must provide independent assurance on the effectiveness of risk management activities in line with their internal audit coverage plan.

The RMC must evaluate, at least annually, its performance in line with the responsibilities outlined in the approved RMC Charter. This evaluation is conducted by the AO through various indicators outlined in the RMC Charter.

11. POLICY ADMINISTRATION

This Policy shall be reviewed annually to reflect the current stance on risk management.

The amendments will be sent to the RMC for recommendation and to Accounting Officer for approval.

REVIEW DATE: **MAY 2021**

COMPILED BY:

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3/05/2021

MR. KE RAMUTHIVHELI **DATE**

MANAGER

RISK MANAGEMENT AND SECURITY SERVICES

ENDORSED AND SIGNED FOR & ON BEHALF OF THE COMMITTEE BY:

.....

31/05/2021

MR. FO NDOU **DATE**

CHAIRPERSON: RISK MANAGEMENT COMMITTEE

THE ACCOUNTING OFFICER HAS REVIEWED AND APPROVED THIS POLICY:

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31/05/2021

MR. TN TSHIWANAMMBI **DATE**

MUNICIPAL MANAGER

COUNCIL'S APPROVAL

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COUNCIL RESOLUTION NUMBER **DATE**

MUSINA LOCAL MUNICIPALITY

(RESOLUTION ATTACHED)