MUSINA
LOCAL MUNICIPALITY

ENTERPRISE RISK MANAGEMENT POLICY

2022/23

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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.

This policy applies throughout the municipality in as far as risk management is concerned.

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 2022/23.**

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;
- Risk management as a performance indicator and change agent;
- 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.
- 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 Manager: Risk Management 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. ROLE PLAYERS

7.1 RISK MANAGEMENT OVERSIGHT

7.1.1 Council

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.

7.1.2 Audit and Performance Audit Committee (APAC)

The APAC is an independent committee responsible for oversight of the municipality's control, governance and risk management. The APAC's primary responsibility is providing an independent and objective view of the effectiveness of the municipality's risk management process.

The responsibilities of the APAC's with regard to risk management are formally defined in its charter.

7.1.3 Risk Management Committee

The members of the RMC are is appointed by the Accounting Officer and consist of the HOD's (members), CRO (invitee) and the CAE (invitee) and 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.

7.2 RISK MANAGEMENT IMPLEMENTERS

7.2.1 Accounting Officer

The Accounting Officer is ultimately responsible for the overall governance of risk management within the municipality. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment and support ERM.

7.2.2 Senior Management /HOD'S (Risk Owners)

HOD's support the municipality's risk management philosophy, integrating it into the operational routines of their directorates/ departments. They are the risk owners and ultimately accountable for the risk management of the risks in their directorate/ departments and must therefore monitor the risk management activities within their areas of responsibility and intervene where necessary.

7.2.3 Risk Champions

The Risk Champion's primary responsibilities are to intervene where risk management efforts are being hampered and to provide guidance and support on the management of problematic risk and risks of a transversal nature that require the involvement of multiple people to address. Risk champions should also assists management with the identification and mitigation of risks.

7.2.4 Chief Risk Officer

The CRO is the custodian of the risk management strategy and coordinator of risk management activities within the municipality. The primary responsibilities of the CRO are to bring/ bear his/her expertise to assist the municipality to embed risk management and leverage its benefits to enhance performance.

7.2.5 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.

8 RISK MANAGEMENT ASSURANCE PROVIDERS

8.1 Internal Audit

The core role of Internal Audit in risk management is to provide an independent, objective assurance to Council, Accounting Officer, Risk Management Committee and the Audit and Performance Committee on the effectiveness of risk management.

Internal Audit also assist in bringing about a systematic, disciplined approach to evaluate and improve the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary. Internal Audit must define whether the risk management process is efficient and effective.

8.2 Auditor General

The Auditor General provides and independent opinion on the effectiveness of risk management. In providing an opinion the Auditor General focuses on:

- Determining whether the risk management policy, strategy and implementation plan are in place and appropriate;

- Assessing the implementation of the risk management policy, strategy and implementation plan;
- Reviewing the risk assessment process to determine if it is sufficiently robust to facilitate timely and accurate risk rating and prioritization;
- Determining whether management action plans to mitigate the key risks are appropriate and being implemented effectively.

9 RISK MANAGEMENT SUPPORT AND REPORTING PROCESS

9.1 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.

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 REVIEW

The content of the Risk Management Policy will be reviewed annually by the RMC and approved by Council to reflect the current stance on risk management within Musina Local Municipality.

REVIEW DATE: **MAY 2022**

COMPILED BY:

..... 2022/06/20

MR. KE RAMUTHIVHELI **DATE**

MANAGER

RISK MANAGEMENT AND SECURITY SERVICES

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

..... 2022/06/20

MR. FO NDOU **DATE**

CHAIRPERSON: RISK MANAGEMENT COMMITTEE

THE ACCOUNTING OFFICER HAS REVIEWED AND APPROVED THIS POLICY:

..... 2022/06/20

MR. TN TSHIWANAMMBI **DATE**

MUNICIPAL MANAGER

COUNCIL'S APPROVAL

....

COUNCIL RESOLUTION NUMBER **DATE**

MUSINA LOCAL MUNICIPALITY

(RESOLUTION ATTACHED)