RISK MANAGEMENT POLICY

2023/2024

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1. PURPOSE

The Risk Management Policy is a clear, simple statement of how the municipality intends to conduct its services, actions or business with regards to risk management. It provides a set of guiding principles to help with decision making.

In terms of sections 62(1)(c)(i) and 95(c)(i) of the Municipal Finance Management Act (No 56 of 2003) (hereafter the MFMA), the Accounting Officer is required to ensure that the Municipality has and maintains an effective, efficient and transparent systems of risk management. Further, section 3.2.1 of the Treasury Regulations requires that the Accounting Officer should ensure that the identification of risks is conducted regularly and that a risk management strategy (Framework) is in place.

Matjhabeng Local Municipality is committed to effective and transparent governance by promoting economic development, providing sustainable services and improving the quality of life of all people.

Risk management is recognised as an integral part of the Municipality. The features of this process are outlined in this Policy and the Municipality's Risk Management Strategy. It is expected that all departments, operational processes and projects are subjected to this Risk Management Policy and Strategy. The main aim is that Municipality's departments should work together in a consistent and integrated manner, with the overall objective of reducing risk exposures to the organisation.

In order for the Municipality to fulfil its mandate and to meet service delivery expectations of the citizens, effective risk management is imperative.

2. POLICY INTENT

The purpose of this policy is to articulate our approach and expectations in relation to the management of risk across MLM and to ensure that the MLM makes informed decisions with regard to the activities that it undertakes by appropriately considering both risks and opportunities.

The intention of the policy cannot be to eliminate all risk to the municipality. It is to assist personnel to manage the risks involved in all activities to maximise opportunities and to minimize adverse consequences. Effective risk management requires:

- A systematic process that should be used when making decisions to improve the effectiveness and efficiency of managing risks;
- Taking action to mitigate risks;
- Identifying and exploiting opportunities identified during risk management processes;
- Risk Management planning;

- Effective communication;
- Balance between the cost of managing risks and the anticipated benefits; and
- Systems, (Structures, Risk, registers, Risk Management Standard operating procedure and information technology etc.).

3. POLICY STATEMENT

Matjhabeng Local Municipality is committed to implement and maintain effective, efficient and transparent system of risk management.

The Municipal Manager has committed the MLM to the process of risk management that is aligned to the principles of good corporate governance.

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

The realization of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardise 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:

3.1. The highest standards of service delivery;
3.2. A management system containing the appropriate elements aimed at minimising risks and costs in the interest of all stakeholders;
3.3. 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
3.4. Maintaining an environment, this promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

An entity-wide approach to risk management is adopted by the MLM, which means that every key risk in each part of the municipality will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the municipality's systems and processes, ensuring that our responses to risks remain current and dynamic.

All risk management efforts will be focused on supporting the departmental objectives. Equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

4. POLICY SCOPE AND APPLICATION

This Policy applies throughout the Municipality in as far as the implementation of risk management is concerned;

- Core Departments;
- All employees and officials of the Municipality irrespective of their location or function; and
- The Council and Mayoral Committee.

A Municipal-wide approach to risk management should be applied by all departments therefore, every risk at any part of the Municipality should be included in a structured and systematic risk management processes at entity level. This is to ensure responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the Municipality's 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 shall be reviewed annually to reflect the current stance on risk management. In successful implementation of risk management principles and processes, the Municipality commits to:

a) *Effective, Efficient and Economical* allocation of Municipality's resources to enhance value-add service delivery;

b) management system containing the appropriate elements aimed at minimising risks and maximising opportunities in the interest of all the stakeholders;

c) Education and training of all staff to ensure continuous improvement in knowledge management, skills and capabilities contributing towards service delivery and facilitating stakeholders' expectations;

d) Proper safeguarding of assets;

e) More informed decision Making; and

f) Information security.

5. RISK AND RISK MANAGEMENT

5.1. Definitions

Risk refers to an unwanted outcome, actual or potential, to MLM's service delivery and other performance objectives, caused by the presence of risk factors, or the uncertainty of an event occurring that could have an impact on the achievement of business objectives. Risk is measured in terms of its impact or consequence and its likelihood of occurrence.

Some risk factors also present upside potential, which management should be aware of and prepared to exploit. The definition of risk encompasses such opportunities.

Risk can be viewed from three distinct perspectives:
- Risk as opportunity;
- Risk as an uncertainty; and
- Risk as a hazard.

Risk as an opportunity is about viewing risk from the opportunity perspective recognises the inherent relationship between the risk and return. Managing risk as an opportunity necessitates actions being taken by line managers to achieve positive gains. Opportunity analysis creates insights that may be used by line managers to increase the likelihood of success and decrease the likelihood of failure.

Risk management is a systematic process to identify, evaluate, address and monitor risks on a continuous basis before such risks can impact negatively on the MLM's service delivery to its stakeholders.

Risk management is regarded as the culture, processes and organisation structures that are directed towards the effective management of potential opportunities and adverse effects within the Municipality. In the broadest sense, effective risk management ensures continuity of operations and service delivery, and protection of the interests of the Municipality. It is apparent that successful service delivery is contingent upon, inter alia, effective and cohesive management of risks.

5.2. Benefits of Risk Management

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

5.2.1. more sustainable and reliable delivery of services;

5.2.2. informed decisions underpinned by appropriate rigour and analysis;

5.2.3. innovation;

5.2.4. reduced waste;

5.2.5. prevention of fraud and corruption;

5.2.6. better value for money through more efficient use of resources; and better outputs and outcomes through improved project and Programme management.

6. POLICY OBJECTIVES

6.1. To explain MLM's approach to risk management and ensure that it has a consistent and effective approach to risk management;

6.2. To ensure that the MLM's culture and processes encourage the identification assessment and treatment of risks that may affect its ability to achieve its objectives;

6.3. To explain key aspects of risk management;

6.4. To clearly indicate the risk management reporting procedures;

6.5. To hold executive, management and officials accountable for the implementation of risk management on their area of responsibility;

6.6. To create an environment where all the MLM's employees take responsibility for managing risk;

6.7. To create a more risk aware organizational culture through enhanced communication and reporting of risk;

6.8. To improve corporate governance and compliance with relevant legislation;

6.9. The implementation of this policy will provide the MLM with a basis and a framework for:

6.9.1. more confident and rigorous decision-making and planning;
6.9.2. better identification of opportunities and threats;
6.9.3. pro-active rather re-active management;
6.9.4. more effective allocation and use of resources;
6.9.5. improved management and reduction in loss and cost of risk;
6.9.6. improved stakeholder confidence and trust;
6.9.7. clear understanding by all staff of their roles, responsibilities and authorities for managing risk.

7. PRINCIPLES

7.1. Risk management is recognised as an integral part of responsible management and therefore, MLM adopts a comprehensive approach to the management of risk. The features of this process are outlined in the MLM's Risk Management Strategy. It is expected that all Components' operations and processes will be subject to the Risk Management Strategy. It is the intention that these components work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.

7.2. Risk management must be embedded in the strategic planning of the municipality.

7.3. As risk management is necessary for planning and decision making. Risk management must be embedded in all the decision-making processes. Before decision is taken, the risks it poses must be identified.

7.4. The Municipal risk tolerance level must be determined by top management and is outlined in the Risk Management Strategy.

7.5. All personnel must be willing and able to take calculated risks to achieve their own and the Municipality's objectives and to benefit the Municipality. The associated risks of proposed actions and decisions must be properly identified, evaluated and managed to ensure that exposures are acceptable.

7.6. The Municipality will conduct a risk assessment on an annual basis with a review or re-assessment of the risks conducted on quarterly basis to ensure maximum mitigation thereof.

7.7. Risks will be owned and managed by the Units where the risk resides.

7.8. This policy is subject to an annual review in line with risk management framework.

8. RISK APPETITE AND RISK TOLERANCE APPROACH

The Municipality's risk appetite and risk tolerance is directly related to its business strategy. Risk management is included in the strategic planning process, to assists management in selecting a strategy that is in line with the Municipality's risk appetite. This means that, as soon as risks are above low to moderate risk levels, strategies should be put in place to manage those risks to an acceptable level. A risk, or a portfolio of risks, which have a potential impact equal to or exceeding Municipality's approved risk appetite or risk tolerance levels, or risks which are significant by nature, require immediate and urgent action by executive management or the Municipality's Mayoral Committee, as may be appropriate.

Key to the decision(s) on internal control design is the qualitative and quantitative risk exposure, i.e. extreme, high, moderate or low, which are the set type of risk qualitative and quantitative risk appetite levels. Management's common objective is to manage risks to keep them at acceptable levels, within the set risk appetite and ideally to low levels.

The risk appetite therefore sets quantifiable and quantitative level of residual risk exposure the Municipality is prepared to retain after control and mitigation actions (risk treatment plans) have taken in in relation to the respective risks, whereas, risk tolerance set the boundaries of risks of which the Municipality is prepared to venture in the pursuit of its service delivery and long term objective, taking into account the risk appetite levels.

The risk appetite therefore aims to ensure that the Municipality has a dynamic Policy:

- for risk governance and strategic risk decision making at the level of the Municipality leadership;

- for the Municipality to gain an understanding of the nature and extent of the key risks it is taking on and willing to embrace as part of the delivery of services in accordance with the IDP and the SDBIP;
- the executives or senior officials are enabled to translate the risk appetite when making tactical decisions as well as at operational levels; and therefore;
- Supports the embedding the culture of risk awareness and risk management.

It is important for the Municipality to make an informed decision on the amount of risk it is capable of bearing as part of normal management practice. The level of acceptable risk is known as "tolerated risk or tolerance level" and establishes the benchmark for the Municipality's risk tolerance.

9. ROLE PLAYERS

9.1 Risk Management Oversight

Council

The 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 department against significant risks.

Audit Committee

The Audit Committee is an independent committee responsible for oversight of the department'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 department's risk management effectiveness.

Risk Management Committee

The Risk Management Committee is appointed by the Accounting Officer to assist them to discharge their responsibilities for risk management. The Committee's role is to review the risk management progress and maturity of the department, the effectiveness of risk management activities, the key risks facing the department, and the responses to address these key risks. The responsibilities of the Risk Management Committee are formally defined in its charter.

9.2 Risk Management Implementers

Accounting Officer

The Accounting Officer is the ultimate Chief Risk Officer of the department and is accountable for the department'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.

Management

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

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.

9.3 Risk Management Support

Manager: Risk Management

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

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 departmental skills and expertise.

9.4 Risk Management Assurance Providers

Internal Audit

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

External Audit

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

An entity-wide approach to risk management will be adopted by the Institution, which means that every key risk in each part of the Institution will be included in a structured and systematic process of risk management.

It is expected that the risk management processes will become embedded into the Institution's systems and processes, ensuring that our responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the Institution's objectives. Equally, they must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

10. REPORTING

10.1. REPORTING BY THE MANAGER: RISK MANAGEMENT

10.1.1. The Risk Owners must submit monthly reports on risk management activities in their units to the Manager: Risk Management.

10.1.2. The Manager: Risk Management must submit monthly reports to the Municipal Manager.

10.1.3. The Manager: Risk Management will submit a quarterly report to the Audit, Performance and Risk Committee on risk management activities not limited to the following:

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

The Risk owners in consultation with the Manager: Strategic Planning should report all the non-achievements against the SDBIP for the Manager: Risk Management to facilitate the identification of the recurring as well as emerging risks. The report should then be utilised to update the Risk register.

10.2. REPORTING BY THE AUDIT AND PERFORMANCE COMMITTEE

The Audit and Performance Committee will submit a quarterly report to the Municipal Manager that will outline the work performed by the committee in that specific quarter and must consider the responsibilities outlined in the committee charter.

11. MONITORING

Effective monitoring of mitigating actions (action plans) is the responsibility of line management, who have ownership for the management of risk. The Risk Management Unit, as facilitator of the risk management process and custodian of the risk data base will support the monitoring process, together with line management.

Risk monitoring is the process for tracking identified risks, monitoring residual risks, identifying new risks, and reviewing the risk response plans. The results on proposed risk responses, which are integrated into managing and controlling the risk exposures, are therefore evaluated for adequacy.

It is necessary to review, monitor and report on the mitigating actions developed, progress being made in managing the identified risk exposures, or taking advantage of opportunities so that the achievement of strategic and operational goals and objectives are optimised, and losses or negative implications minimised. The results of each risk assessment are documented on the standard risk tool (register).

Progress in implementation of mitigating actions must be monitored and reported as follows:

- Strategic risks – monthly basis;
- Project risks – monthly basis; and
- Operational risks – monthly basis.

As part of the reporting process, significant risks, as reviewed and monitored throughout, are reported to the Executive Management and to the Audit, Performance and Risk Committee, and other oversight Committees were appropriate.

12. ASSURANCE OF RISK MANAGEMENT FUNCTION

The adequacy and effectiveness of the risk management process will be independently evaluated from time to time, as considered appropriate by the Audit, Performance and Risk Committee and by the Internal Audit Unit, as the independent assurance provider to management and the oversight Committees.

14. ANNEXURE A: GLOSSARY

An explanation of the terms used within this Risk Management Policy is provided in alphabetical order below:

No	Term	Definition or Explanation of Term
1.	Assurance	Assurance is an objective examination of evidence for the purpose of providing an assessment on governance, risk management and control processes for the Municipality.
2.	Municipal wide Top Strategic Risks	Municipality's strategic risks identified at Organisational level (municipal-wide) which should be managed and performance reported by Senior Management on regular basis i.e quarterly and financial year basis.
3.	Governance	The combination of processes and structures implemented by the Municipality to inform, direct, manage and monitor its activities toward the achievement of its objectives.
4.	Inherent Risk	This means the risk exposure in the absence of management interventions (existing controls).
5.	Residual Risk	This means the remaining exposure of risk after taking into account management interventions (controls in place).
6.	Internal Controls	are processes for assuring achievement of Municipality 's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Controls involve means by which Municipality's resources are allocated, monitored, measured and utilised towards achievement of objectives resulting into effective delivery of service.
7.	Management	includes employees of the Municipality who control or direct any directorate, department, unit, division, process or resources of the Municipality.
8.	Process	set of activities designed by Council, Mayoral, and management within the Municipality in order to achieve Municipality's mandate.
9.	Risk	a probability of uncertain future events/ threats that could have negative impact towards achievement of objectives.
10.	Risk Appetite	is the amount of risk, on a broad level, that the Municipality is willing to accept in pursuit of value.
11.	Risk Tolerance	is the extent to which the Municipality is willing to accept the degree of risk exposures
12.	Risk Assessment	is a process undertaken by management to identify, analyse and evaluate risks considering their likelihood and impact, as a basis for determining how the risk should be managed and reduced to an acceptable level.
13.	Risk Impact	is the consequences on risk occurrence.
14.	Likelihood	Is the probability of risk occurring.
15.	Risk Management	continuous, proactive and systematic process, effected by Council, Mayoral Committee and Accounting Officer, management and other personnel, applied in strategic planning and across the Municipality, designed to identify

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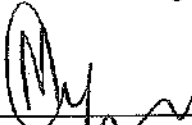| No	Term	Definition or Explanation of Term
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5.	Residual Risk	This means the remaining exposure of risk after taking into account management interventions (controls in place).
6.	Internal Controls	are processes for assuring achievement of Municipality 's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Controls involve means by which Municipality's resources are allocated, monitored, measured and utilised towards achievement of objectives resulting into effective delivery of service.
7.	Management	includes employees of the Municipality who control or direct any directorate, department, unit, division, process or resources of the Municipality.
8.	Process	set of activities designed by Council, Mayoral, and management within the Municipality in order to achieve Municipality's mandate.
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13.	Risk Impact	is the consequences on risk occurrence.
14.	Likelihood	Is the probability of risk occurring.
15.	Risk Management	continuous, proactive and systematic process, effected by Council, Mayoral Committee and Accounting Officer, management and other personnel, applied in strategic planning and across the Municipality, designed to identify

		risks and to manage those risks, to the extent necessary and possible, to provide reasonable assurance regarding the achievement of the Municipality's objectives.
16.	Risk Owner	Is accountable to ensure proper management and control of all aspects on risks identified. The Risk Owner has responsibility over action owner in ensuring that mitigating plans are effectively and sufficiently implemented and risks are being reviewed periodically.
17.	Action Owner	A delegated role responsible for taking actions in relation to specific risk. Action Owner's responsibility is to effectively implement mitigating plans and keep the risk owner apprised on the progress.
18.	Risk Rating	The risk exposure classification (very high or extreme risk, high risk, moderate risk, or low risk) allocated to a risk, based on its probability of occurrence and potential impact on the Municipality.
19.	Risk Register	A tool for capturing each risk or exposure, its likelihood of occurrence, potential impact and rating, and how the risk is currently being controlled, as well as additional risk mitigation measures that may be required for the effective management of each risk identified.
20.	Strategic Goals and Objectives	High-level Municipal goals and objectives that are aligned with and support its mission and vision.
21.	Risk Monitoring	is the process for tracking identified risks, monitoring residual risks, identifying new risks, executing risk response plans, and evaluating their effectiveness on quarterly basis. It is necessary to review, monitor and report on the action plans developed, progress being made in managing the identified risks.

Prepared by Manager: Risk Management:

Signature : _Mampai_

Date : _27 / 07 / 2023_

Reviewed by the Senior Manager: Administration:

Signature : _____

Date : _28/07/2023_

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Recommended by the Municipal Manager:

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Date   : 28 | 07 | 2023

Recommended by the Risk Management Committee:

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