



# **METSIMAHOLO LOCAL MUNICIPALITY**

## **RISK MANAGEMENT POLICY**

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## **1. Introduction**

This policy guides and outlines the process for the management of risks faced by the Metsimaholo Local municipality, with the aim to maximise opportunities in all the institution's activities and to minimise adversity.

The policy applies to all activities and processes associated with the normal operation of the institution.

## **2. Policy Stance**

The Municipal Manager has committed Metsimaholo Local Municipality to a process of an Enterprise Wide Risk management, that is aligned to the principles of King Code of Corporate Governance, as supported by the Municipal Finance Management Act (MFMA), Act no 56 of 2003, and the Committee Of Sponsoring Organisations of the Treadway Commission (COSO)..

## **3. Purpose and Objective(s) of the Policy**

The purpose of this policy is to articulate Metsimaholo's risk management philosophy. Metsimaholo recognises that, risk management is a systematic, and formalised process to identify, assess, manage, and monitor risks, and therefore adopts an Enterprise Wide Risk Management approach.

The objective(s) of the risk management policy includes the following:

- Alignment of the risk-taking behaviour of the Municipality with its strategic business objectives;
- Promote a risk culture that, responds to risk in a pro-active, efficient manner, and to improve risk transparency to stakeholders.;
- Maximise community value, and return on investment through proper oversight structures (business unit, risk champions) by managing risks that, may impact on the defined strategic financial, and performance drivers;
- Assist the Municipality in enhancing, and defending opportunities that, represents greatest service delivery benefits.

## **4. Scope of the Policy**

This policy applies across the Municipality in as far as risk management is concerned, and to assist the Institution in improving the control environment year on year.

## **5. Risk and Risk Management**

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

Risk management is a systematic and formalised process instituted by the Risk Department to identify, assess, manage and monitor risks.

## **6. Benefits of Risk Management**

Metsimaholo implements, and maintains an effective, efficient, and transparent systems of risk management, and internal control. Risk management will assist the Institution to achieve, among other things, the following below mentioned outcomes needed to underpin, and enhance Institutional performance:

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

## **7. Risk Management Approach**

The realisation of our strategic plan depends on us being able to undertake quantified 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 approach, as well as make informed business decisions under conditions of uncertainty/ or volatility.

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 minimising risks, maximising opportunities arising from quantification of risk ( risk vs. reward) and costs in the interest of all stakeholders;
- educating, and training of staff members, to ensure continuous improvement in knowledge, skills, and capabilities which facilitate consistent conformance to stakeholder's expectations; and
- maintaining an environment, which promotes the right attitude, culture, and sensitivity towards internal, and external stakeholder satisfaction.

An entity-wide approach to risk management is adopted by Metsimaholo, which means that, every key risk in each part of the business unit, is included in a structured and systematic process of risk management. It is expected that, the risk management processes is embedded onto each business unit's control systems, and processes, ensuring that our, responses to risks remains relevant, efficient, and dynamic. All risk management efforts will be focused on supporting the business unit's objectives. Equally, business units, must ensure compliance with relevant legislation(s), standards (COSO), leading practices (King Code), and fulfill the expectations of employees, communities and other stakeholders in terms of Corporate Governance.

## **8. Role players**

Every employee is responsible for executing risk management processes in their daily business activities, and adhering to risk management procedures laid down by the business unit's management in their areas of responsibilities, as well as Council.

### **8.1 Risk Management Oversight**

#### **8.1.1 Council**

The Executive Authority takes an interest in risk management to the extent necessary to obtain comfort that, properly established, and functioning systems of Enterprise Wide Risk Management are in place to protect the Institution against significant and emerging risks that, may have been identified.

### **8.1.2 Audit Committee**

The Audit Committee is an independent, and Statutory Committee of the Council, established in terms of Section 166(1) of the Local Government Municipal Financial Management Act (LGMFMA), responsible for providing assurance on the adequacy, and effectiveness of Institution's internal control environment, governance processes, and risk management system. Its responsibilities with regard to risk management, are formally defined in its Charter (Audit Committee Charter). It provides an independent and objective view of Institution's risk management process, and effectiveness, as this has an impact in the accuracy, and completeness of information used in the preparation, and presentation of the Institution's financial statements.

### **8.1.3 Risk Committee**

The Risk Committee is appointed by the Municipal Manager/Council to assist them in discharging their responsibilities for risk management. It does not assume the functions of management, which remain the responsibility of Management, Officers, and other members of Senior Management. The Committee's role is to assist Council to ensure that, the Institution has implemented an effective policy, and plan for risk management, that will enhance the Institution's ability to achieve its strategic objectives ,and that disclosure regarding risk is comprehensive, timely, and relevant, review the risk management progress and maturity of the Institution, the effectiveness of risk management activities, the key risks facing the Institution, and the responses to address key risks.

## **Risk Management Implementers**

### **8.1.4 Municipal Manager**

The Municipal Manager as (Accounting Officer) is ultimately responsible for ensuring that, the Institution has, and maintains an effective and transparent system of risk management, internal control environment, and is accountable for the Institution's overall governance of risk. By setting a positive tone, and culture within the Institution, the Municipal Manager promotes accountability, transparency, integrity, and creates a positive control environment culture.

### **8.1.5 Management**

Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management onto the daily operational activities of the Institution.. It is also responsible for championing a positive risk culture within their business units, take ownership of the implementation of risk action(s), to ensure continuous management, and/ or robust oversight and report changes in the control environment.

### **8.1.6 Other Officials**

Other officials are responsible for integrating risk management onto their day-to-day activities, to ensure greater enhancement of the control environment. They ensure that, their delegated risk management responsibilities are executed, and continuously report on progress to action owners: Risk Champions, and Head of business units. They are also responsible to provide support to department Risk Champions by communicating any emerging risk during their day to day operational process.

## **8.2 Risk Management Support**

### **8.2.1 Risk Officer (Person responsible for risk management)**

The Risk Officer is the custodian of the Institution's risk management activities, both strategic, and operational. The primary responsibility of the Risk Officer is to bring to bear his/her expertise to assist the Institution in embedding risk management within its culture, and leverage risk against reward.

### **8.2.2 Risk Champion**

The Risk Champion's responsibilities includes being the Champion of risk in his/her respective business units, ensuring that, emerging risk are identified, the control environment is enhanced to increase the level of business unit's performance, and risk maturity. Ensure that, the risk register is kept as a working document for updating of risk information, and constant engagement with the risk unit, and report on business units risk's on a monthly basis.

## **8.3 Risk Management Assurance Provider(s)**

### **8.3.1 Internal Audit**

The role of the Internal Audit in risk management is to provide an independent, objective assurance on the effectiveness, progress in maturity of the Institution risk management systems. The Internal Auditing Manager must on a quarterly basis, evaluate the adequacy, and effectiveness of the Enterprise Wide Risk Management system, and improvements within the control environment, and provide recommendation(s) for improvement where necessary.

### **8.3.2 External Audit**

The external auditor (Auditor-General) provides an independent opinion on the adequacy, and effectiveness of the Institution's risk management system.

All risk management efforts will be focused on supporting the Institution's strategic objectives as reflected in the Integrated Development Plan (IDP). Equally, they must ensure compliance with relevant legislation, standards (COSO), leading practices (King Code), and fulfill the expectations of employees, communities and other stakeholders in terms of Corporate Governance.

### **9. Policy review**

This Policy shall be reviewed annually to reflect any changes in leading practices of risk management.

#### **Recommended by the Risk Management Committee:**

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

#### **Approved by the Municipal Manager & Administrator**

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_