RISK MANAGEMENT POLICY
2022/23

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Department	Risk Management
Document Owner	Chief Risk Officer

1. Commitment Statement

The municipality is committed to the effective risk management and treatment of risk in order to achieve its objectives. Management of risk is the responsibility of Council, the Municipal Manager, Senior and middle management and all employees of the municipality. The municipality will ensure that:

a. Risk management is an integral part of the organisation's key business planning, resourcing and decision making process;
b. There is a consistent and systematic approach to the management of risks across the institution, and that the risk management strategy is implemented as planned;
c. Staff have the necessary training to allow them to participate in risk management activities;
d. That the municipality is honest in relation to the risks and challenges facing the institution;
e. Employees become aware of the risks associated with their area of work and must manage these risks to be within the tolerance level by using risk management response strategies outlined in the municipality's risk management strategy.

2. What is Risk Management

Risk management in the context of Enterprise Risk Management. Enterprise Risk Management is a process, initiated by the council, Governance committees, the Municipal Manager, Senior and Middle Management, and other staff of the municipality. The process involves Identifying and assessing risks using a structured method, and developing the necessary controls in response to such risks thus, to provide reasonable assurance that the municipality will achieve its objectives as set out in the Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan(SDBIP). Risk management is an important process and must be embedded in the planning and running of business of the municipality to identify those critical risks that threatens the achievement of objectives especially those that relate to fulfilling the constitutional mandate of the municipality.

3. Objectives

6.2.1.4. The Risk Management Committee should monitor the management of significant risks to the municipality, including emerging and prospective impacts;

6.2.1.5. To review and improve the risk management policy, strategy and implementation plan. The Committee shall ensure that all risks are adequately identified and dealt with.

6.2.1.6. Review risk information and assessment methodologies;

6.2.1.7. Review and approve the risk response of the municipality;

6.2.1.8. To have due regard for the principles of good governance and codes of best practice;

6.2.1.9. Reviewing the adequacy of the risk management processes including scope and depth;

6.2.1.10. Monitoring the reporting of risk management with particular emphasis on significant risks or exposures and the appropriateness of the steps management has taken to reduce the risk to an acceptable level;

6.2.1.11. Consider progress on action plans developed as part of the risk management process by each department;

6.2.1.12. Reviewing any findings and recommendations of the external auditors, internal auditors or other parties in relation to risk management;

6.2.1.13. Reviewing the impact of any changes in the Municipality and assess how those changes might affect the institutional risk profile; and

6.2.1.14. Reviewing any legal and regulatory matters that may have a significant impact on the institutional risk profile

6.2.2. **Audit Committee**

The audit committee must advice the municipal council, political office bearers, Municipal Manager, and management staff of the municipality on matters relating to risk management. These matters include advising the stakeholders on whether the risk management process of the municipality are adequate and effective such that, they provide reasonable assurance that the municipality will achieve its objectives as set out in its strategy documentation.

6.3. **Municipal Manager**

The Municipal Manager shall be responsible for the following:

6.3.1. Setting the tone at the top by supporting Enterprise Risk Management and allocating resources towards establishing the necessary structures and reporting lines within the institution to support Enterprise Risk Management;

6.3.2. Placing key risks at the forefront of the management agenda and devote attention to overseeing their effective management;

6.3.3. Approving the organisations risk appetite and risk tolerance;

6.3.4. Holding management accountable for designing, implementing, monitoring and integrating risk management principles into their day-to-day activities;

6.6. **Management**

Management shall,

6.6.1. ensure that risk management activities are promoted and implemented in their respective departments or sections;
6.6.2. observe and uphold risk management and related policies and procedures of the municipality.
6.6.3. develop internal controls necessary to address risks and residual risks identified by the risk management division;
6.6.4. ensure that internal controls developed in response to risks are implemented (effective) and that such are adequate;
6.6.5. assist the Chief Risk Officer identify risks in their respective divisions/ units/ departments;
6.6.6. regularly provide information to the Chief Risk Officer, about action taken or the progress made towards addressing risks identified for the purpose of updating the risk register;
6.6.7. consider risks identified prior to taking any important decisions;

6.7 **Other Officials**

Each official will be responsible for;

6.7.1. Ensuring familiarity with the overall enterprise risk management vision, risk management strategy, fraud risk management policy and risk management policy;
6.7.2. Acting in terms of the contents of the documents stated in the preceding paragraph
6.7.3. Acting within the risk appetite and tolerance levels set by the business unit;
6.7.4. Adhering to the code of conduct of the municipality;
6.7.5. Maintaining the functioning of the control environment, information and communication as well as the monitoring systems within their delegated responsibility;
6.7.6. Providing information and cooperation with other role players;
6.7.7. Participation in risk identification and risk assessment within their respective business unit;
6.7.8. Implementation of risk responses to address the identified risks.

7. Risk Appetite and Risk Tolerance

The municipal manager must ensure that there is a risk culture in the municipality. The municipal manager must ensure that the risk appetite and risk tolerance levels of the municipality have been set and all staff adheres to it, the risk culture must be reviewed on an annual basis.

7.1. **Risk Appetite:**

11 1 All risks identified and assessed must be recorded in a risk register.

11.2. All assessment outcomes must be indicated in the risk register for each respective risk.

11.3. The Chief Risk Officer on a regular basis must update and maintain the risk register of the municipality.

11.4. The risk register should at least contain the following fields; Objective, Description of the risk, risk number, Risk Category, Likelihood, Impact, Velocity, Vulnerability, aggregate risk, residual risk, Existing controls, Management Action plan (Description of action, Date of implementation, Risk owner).

12. Responses to risks identified

12.1. Management must ensure that the residual risks of the municipality are managed and are within the acceptable tolerance levels set out in this policy;

12.2. Action plans which outlines; the specific action to be taken, responsible person, and action due date, must be developed by management to ensure that the residual risk is adequately managed within the required period. Management must regularly report the progress made on such action plans

12.3. The Chief Risk Officer shall evaluate the responses or controls implemented by management in response to risks identified, and shall assess the levels of the residual risks;

12.4. The Chief Risk Officer may advise management on control procedures that must be developed and implemented to bring the residual risks within the tolerance levels of risk of the municipality.

12.5. All risk responses must be submitted in writing or any other form deemed acceptable according to the determination of the Municipal Manager;

12.6. Internal Audit may be requested by the Municipal Manager to verify the effectiveness and adequacy of internal controls implemented by management in response to risk;

13. Risk Management strategy

13.1. The municipal manager shall ensure that the municipality adopts and implement a strategy to assure the successful implementation of this policy and enterprise risk management in the municipality.

13.2. The strategy shall be reviewed annually with the risk management policy.

13.3. Only the Municipal Manager may approve the risk management strategy.

13.4. The risk management committee shall on an annual basis review the risk management strategy and provide the Municipal Manager with written recommendations for the approval of the risk management strategy.

13.5. The risk management strategy should outline the methodology, which the municipality uses for its risk management and include the following:

13.5.1. a plan of action to improve the Institution's risk management maturity;

17. Establishment of risk management committees

17.1. The municipal manager must establish a risk management committee, which will assist to execute oversight responsibility over the risk management activities.
17.2. The risk management committee shall have a charter, which will outline its responsibility, authority and all other necessary functions.

18. Appointment of Risk Champions

18.1. The risk champion is a person with the skills, knowledge, leadership qualities and power of office required to champion a particular aspect of risk management.
18.2. The municipality may if there is a need, but is not compelled to appoint risk champions;
18.3. The appointment of the risk champions is the sole responsibility of the municipal manager;
18.4. Only person employment by the municipality may be appointed as risk champions.
18.5. Risk champions may be appointed in respect of each department.
18.6. Only persons with the necessary knowledge on the area of risk or who has the skill of risk management may be appointed to champion risks;

19. Reporting and Monitoring

19.1. The Chief Risk Officer shall prepare and submit to the risk committee a comprehensive report on the overall risk assessment done immediately after such assessment has been concluded;
19.2. The Chief Risk Officer must monitor the effectiveness of risk mitigating strategies on a quarterly basis
19.3. The Chief Risk Officer shall on a quarterly basis; report to the risk management committee on the extent to which risk management is implemented in the municipality.
19.4. The report must at least indicate progress made on the Risk Management Implementation Plan with reasons why targets on Implementation plan has not been achieved, Risks that remain unaddressed and how such risks may affect the municipality if they materialise.
19.5. The Chief Risk Officer shall at least on a monthly basis report in a management meeting, progress made by management in addressing identified risks;
19.6. The risk management committee shall monitor the progress and the extent of implementation of risk management in the municipality;
19.7. The Risk Management Committee shall on a quarterly basis, submit to the municipal manager a report which outlines work done on risk management and recommendations;
19.8. The Municipal Manager shall monitor the overall risk management activity and will report on the implementation of risk management to the council of the municipality.
19.9. Risk owners must on a monthly basis submit to the Chief Risk Officer reports, on progress made in addressing risks identified;