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Department	**Risk Management Policy**
Document Owner	**Chief Risk Officer**

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1. INTRODUCTION

Moqhaka Local Municipality present Enterprise Risk Management (ERM) policy as the source of reference and guidance for management and staff on the governance, implementation and execution of risk management within the Municipality.

The purpose of the policy is to create a structured and consistent approach to risk management. The features of risk management processes are outlined in the municipal Risk Management Strategy.

The aim of the policy is to provide overall direction within which management and employees can operate in order to embed a strong risk management culture throughout the Municipality.

This policy provides the foundation for creating a culture of risk management in the municipality. Further serves as a basis for setting objectives regarding the level of ERM performance and responsibility that the municipality shall strive to achieve against which all ERM activities shall be evaluated. The policy also serves to ensure that the results provided from the risk management processes serve to inform decision making.

2. DEFINITIONS

2.1 Risk

The possibility of an event occurring that will have a negative impact on the achievement of the municipal objectives.

2.2 Enterprise Risk Management

Enterprise risk management (ERM) is the application of risk management throughout the Department rather than only in selected business areas or disciplines. ERM recognises risks (including opportunities) as dynamic, often highly interdependent and ought not to be considered and managed in isolation.

2.3 Risk Management Process

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

2.4 Risk Management Unit

A unit responsible for coordinating and supporting the overall risk management process in the Municipality. It does not assume the responsibilities of management for identifying, assessing and managing risk.

2.5 Risk Management Committee

A committee appointed by the Accounting Officer to review the Municipalities system of risk management.

3. POLICY STATEMENT

The Accounting Officer commits the Municipality to a process of risk management that is aligned to the principles of good corporate governance, as prescribed by the Municipal Finance Management Act (MFMA), Act 1 of 1999, as amended by Act 29 of 1999, Treasury Regulations 3.2.1. and Public Sector Risk Management Framework.

4. SCOPE OF THE POLICY

This policy supports an ERM which means that every key risk in each component of the department will be included in structures and systematic processes of risk management

5. POLICY OBJECTIVES

5.1. To explain the municipality approach to risk management and ensure that it has a consistent and effective approach to risk management;

5.2. To ensure that the municipal culture and processes, encourages the identification, assessment and monitoring of risks that may affect its ability to achieve its objectives;

5.3. To explain key aspects of risk management and reporting procedures

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

5.5. To create an environment where the department is risk friendly through enhanced communication and reporting of risks;

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

5.7. The implementation of this policy will provide the Department with a basic and framework for:

5.7.1 More confident and rigorous decision-making and planning;
5.7.2 Better identification of opportunities and threats;
5.7.3 Pro-active rather re-active management;
5.7.4 More effective allocation and use of resources;
5.7.5 Improved management and reduction in loss and cost of risk;
5.7.6 Improved stakeholder confidence and trust;
5.7.7 A clear understanding by all staff of their roles, responsibilities and authorities for managing risks.

6. PRINCIPLES

6.1. Risk management must be embedded in the strategic planning of the Municipality.

6.2. Risk management is necessary for planning and decision making.

6.3. The Municipality risk tolerance and appetite level must be determined by Fraud and Risk Management Committee (FRMC) and is outlined in the Risk Management Strategy.

6.4. All personnel must associate risks with a proposed actions and decisions of identifying, evaluating and managing to ensure that exposures are at acceptable level.

6.5. Risks are owned and managed by the units where the risk resides.

6.6. This policy is subject to annual review in line with the Department Risk Management Framework.

7. ENABLERS OF RISK MANAGEMENT

7.1 The risk management policy formally sets out the Department's stance on risk management and includes the following:

- Policy statement committing the institution to implementing and maintaining a system of risk management;
- Articulating the business case for risk management;
- Scope of risk management;
- Risk Management model and processes to be utilized;
- Broad statement on the Department's risk appetite; and
- Approval by the Municipal Manager.

7.2 Role Players in Risk Management

7.2.1 Implementers

7.2.1.1 Accounting Officer

Responsibilities of the Accounting Officer in risk management should include:

- Providing leadership and guidance to enable Management and internal structures responsible for various aspect of risk management to properly perform their functions:
- Holding Management accountable for designing, implementing, monitoring and integrating risk management into day-to-day activities;
- Devoting personal attention to overseeing management of significant risks
- Ensuring appropriate action in respect of the recommendation of the Audit Committee, Internal Audit and Risk Management Committee to improve risk management.
- Providing assurance to relevant stakeholders that the key risk are properly identified, assessed and mitigated

7.2.1.2 Management

Management owns the risks. Management's role is to ensure that the activities under his/her control achieve its stated objectives. A formal management process must be followed by which a risk assessment (Strategic, operational and project), the implementation and maintenance of controls; the monitoring of performance and the implementation of corrective action is undertaken.

7.2.1.3 Other Personnel

Other Personnel are accountable to line management to integrate the principles of risk management into their daily routines to enhance the achievement of their functional objectives.

7.2.2 Supporters

7.2.2.1 Chief Risk Officer (CRO)

The CRO provides specialist expertise in providing a comprehensive support service to ensure systematic, uniform and effective enterprise risk management. The CRO

plays a vital communication link between operational level management, senior management, risk management committee and other relevant committees.

The CRO is thus the custodian of the ERM framework, the coordinator of the risk management throughout the institution and the institutional advisor on all risk management matters.

7.2.2.2 Risk Champion

7.2.2.2.1 A Risk Champion is a person with skills, knowledge, leadership qualities and power of officer required to champion a particular aspect of risk management.

7.2.2.2.2 A key part of the Risk Champion's responsibility should involve intervening in instances where risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of institutional skills and expertise.

7.2.2.2.3 The Risk Champion also adds value to the risk management process by providing guidance and support to manage "problematic" risks and risks of a transversal nature.

7.2.3 Oversight

7.2.3.1 Executive Authority

To obtain assurance from management that the Institution's strategic choice were based on rigorous assessment of risk;

Obtain assurance that key risk inherent in the Institution's strategies were identified and assesses, and are being properly managed.

Assisting the Municipal Manager to deal with fiscal, intergovernmental, political and other risk beyond their direct control and influence.

7.2.3.2 Internal Audit

Internal Auditors are responsible for providing independent assurance on the effectiveness of risk management in the department. This involves providing assurance that all material risks have been identified and assessed and that control systems implemented to treat such risks are both adequate and effective.

7.2.3.3 Fraud and Risk Management Committee

The Fraud and Risk Management Committee is responsible for oversight of the quality, integrity and reliability of the municipality risk management processes and risk responses. An important part of the Committee's mandate is to provide recommendations to the Municipal Manager to continuously improve the management of specific risks as well as the overall process of risk management.

7.2.3.4 Auditor- General

The Auditor-General is responsible for providing an opinion on:

- The reasonability of the financial statements of the institution;
- Compliance with applicable legislation.

In addition the Auditor-General is required to highlight weaknesses or deficiencies in the performance reporting of the Department. In providing an opinion on compliance with legislation the Auditor-General will provide independent assurance on the effectiveness of the risk management activities of the institution.

7.2.3.5 Audit Committee

The Audit Committee is responsible for assisting the Municipal Manager in addressing its oversight requirements of risk management and evaluating and monitoring the department's performance with regards to risk management.

7.2.3.5 Provincial Treasury

Provincial Treasury has specific duties to:

- Monitor and assess the systems of risk management in the municipality;
- Assist with building risk management capacity in the municipality;
- Enforce the MFMA (by implication the specific prescripts therein pertaining to risk management) in municipal prescripts.

8. REPORTING

The Chief Risk Officer reports risk management activities on a quarterly basis to Fraud and Risk Management Committee. The Chairperson presents Fraud and Risk Management Committee report to the Audit Committee and Municipal Manager.

9. MONITORING

10.1 The Chief Risk Officer must monitor the effectiveness of risk mitigating strategies on quarterly basis.

10.2 The Fraud and Risk Management Committee must monitor implementation and effectiveness of the risk management function quarterly.

10. DOCUMENTATION AND RECORD- KEEPING

10.1 The risk management framework and performance will be documented for the period of 5 years (preferably either electronic or hard copy formats).
10.2 Documents will be stored in risk management offices as per the timeframe.
10.3 Access to risk management documentation will be made through Chief Risk Officer.
10.4 Documents will be disposed according to National Archive processes

11. CONTINUAL IMPROVEMENT OF THE SYSTEM

11.1 Non – conformity identified will be reported to the relevant stakeholders for action(s); and where necessary recommendation will be provided for continuous improvement (adjustment).
11.2 Follow up with relevant stakeholders for improvement.

12. REVIEW OF THE RISK MANAGEMENT POLICY

The custodian of this Policy is the Municipal Risk Management unit. The policy will be reviewed annually and submitted for approval to the council.

13. RECOMMENDATION AND APPROVAL

As approved/ adopted by means of council resolution **no 1.66** in an ordinary/special Council, held at **Kroonstad** on the **07 November 2024.**