



Molemole Municipality

RISK MANAGEMENT POLICY 2019/20

MOLEMOLE LOCAL MUNICIPALITY RISK MANAGEMENT POLICY

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1. Introduction

The Accounting Officer has committed Molemole Local Municipality 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.

2. Risk and Risk Management

Risk refers to an unwanted outcome, actual or potential, to the department's service delivery and other performance objectives, caused by the presence of risk factors. Some risk factors 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 systematic and formalized process instituted by the municipality to identify, assess, manage and monitor risks.

2.1 Enterprise risk management (ERM) is the application of risk management throughout the institution rather than only in selected business areas or disciplines. Enterprise risk management (ERM) recognizes that risks including opportunities are dynamic, often highly interdependent and ought not to be considered and managed in isolation. Enterprise risk management (ERM) responds to this challenge by providing a methodology for managing institution wide risks in a comprehensive and integrated way.

2.2 Risk Assessment

At least once a year a municipality shall undertake a thorough assessment of its risks at all levels. Strategic risk assessments shall be performed during the municipality's strategic sessions and operational risk assessment shall be performed between March and April annually.

3. Benefits of Risk Management

The Municipality 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:

- a) more sustainable and reliable delivery of services;
- b) informed decisions underpinned by appropriate rigor and analysis;
- c) innovation;
- d) reduced waste;
- e) prevention of fraud and corruption;
- f) better value for money through more efficient use of resources; and
- g) better outputs and outcomes through improved project and programme management.

4. Purpose of the Policy

The purpose of this Policy is to articulate the municipality's risk management philosophy. 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.

5. Scope of the Policy

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

6. The Policy

The realisation of the municipality's strategic plan depends on 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 take informed decisions under conditions of uncertainty.

The municipality subscribes to the fundamental principles that all resources will be applied economically to ensure:

- a) The highest standards of service delivery;
- b) A management system containing the appropriate elements aimed at minimising risks and costs in the interest of all stakeholders;
- c) 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
- d) Maintaining an environment, which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

6.1 The approach

The business-wide approach to risk management is adopted by the 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 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 municipal objectives. Equally, the risks identified must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

7. Role players

Every employee is responsible for executing risk management processes and adhering to risk management procedures laid down by management in their areas of responsibilities.

7.1 Risk Management Oversight

7.1.1 Senior Management

The Management 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.

7.1.2 Audit Committee

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

7.1.3 Risk Management Committee

The Risk Management Committee is responsible for assisting the Accounting Officer in addressing oversight requirements of risk management by evaluating and monitoring the municipality's performance with regards to risk management. The Committee's 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 Risk Management Committee are formally defined in its charter.

7.2 Risk Management Implementers

7.2.1 Accounting Officer

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

7.2.2 Management

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

7.2.3 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.

7.3 Risk Management Support

7.3.1 Risk Officer

The Risk Officer is the custodian of the Risk Management Strategy, and coordinator of risk management activities throughout the municipality. The primary responsibility of the Risk Officer is to bring specialist expertise to assist the municipality to embed risk management and leverage its benefits to enhance performance.

The Risk Officer also intervenes 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 municipal skills and expertise.

7.4 Risk Management Assurance Providers

7.4.1 Internal Audit

The role of the Internal Auditing in risk management is to provide an independent, objective assurance on the effectiveness of the municipality'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.

The Internal Audit will provide assurance on risk management processes in cases where the activities were performed with assistance by an independent official from the district municipality.

7.4.2 External Audit

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

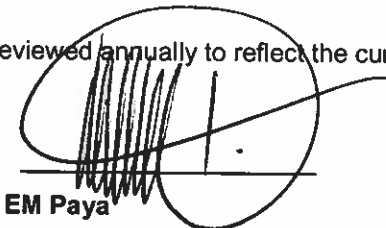
An entity-wide approach to risk management will be adopted by the municipality, which means that every key risk in each part of the Institution will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the Institution's systems and processes, ensuring that our responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the municipality's objectives. External Audit shall ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

8. Policy review

This Policy shall be reviewed annually to reflect the current stance on risk management.

APPROVED BY:

EM Paya



29 July 2019
Date