

MORETELE LOCAL MUNICIPALITY



RISK MANAGAMENT POLICY

2022/2023

Policy Adoption Date: 29 JULY 2022
Policy Number: RM-01-2022
Resolution Number: 1300/0013-07-2022
Version Control Number: RM-01-02-2022
Authorized Signature: [Signature]
Expected Review Date: 31 JULY 2023

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1 INTRODUCTION

The Council of Moretele Local Municipality has committed the municipality to a process of risk management that is aligned to the principles of good corporate governance, as supported by related legislation such as the Municipal Finance Management Act (MFMA), Act No 56 of 2003, the Local Government: Municipal Systems Act of 2000 and the Public Finance Management Act (PFMA), Act 1 of 1999 as amended by Act 29 of 1999.

The importance of looking at risk within Moretele Local Municipality from a vintage point comes in the wake of an ever-changing society, bold government initiatives and a plethora of new challenges facing local government.

As an effective risk management is imperative to Moretele Local Municipality to fulfill its mandate, service delivery expectation of the local communities and performance expectation within Moretele Local Municipality, it is within this context that Moretele Local Municipality recognized that an appropriate and clearly defined risk management culture must be established and inculcated to ensure total effectiveness of risk management.

Consistent and sound management of risk will enable us to anticipate and respond adequately to changes necessary for service delivery initiatives, and to make informed decisions under uncertain conditions.

In Moretele Local Municipality risk management is not the sole responsibility of the accounting officer, but it is extended to all levels of staff and management.

Moretele Local Municipality subscribes to the fundamental principle of applying its resources economically to ensure:

- The development of a risk management policy statement that shall be reviewed on an annual basis to enable reflection on current stance on risk management;
- The highest standard of service delivery;
- That we educate and train all our staff for continuous improvement of knowledge, skills and capabilities in order to facilitate consistent conformance to stakeholders expectations.
- That we adopt a Moretele Local Municipality wide approach to risk management to ensure inclusion of every key risk of the institution in a structured and systematic risk management process.
- That the risk management process is adequately embedded into Moretele Local Municipality's operational processes and systems; and

- That our intent to responses on risk management remain current and dynamic;

2 POLICY PURPOSE AND OBJECTIVES

The purpose of this policy is to emphasize Moretele Local Municipality's commitment to effective risk management as well as to communicate its broad risk management principles to guide the practice thereof.

The objectives of this policy are to ensure:

- Facilitation of the safeguarding of property and interest of Moretele Local Municipality and certain interest of all its employees during the conduct of our business operations.
- That Risk Control is established to form part of our internal control arrangements.
- That all significant risks that Moretele Local Municipality is exposed to are proactively identified and managed to acceptable level on a continuous basis;
- That Moretele Local Municipality's image and reputation is protected and kept intact.
- That risks and their mitigation strategies are subject to review at regular intervals to determine as to whether their nature has changed and evaluate new risks.
- That the Risk Management Committee receives risk control review process reports periodically; and
- That Moretele Local Municipality comply with requirements of applicable laws and regulations.

3 POLICY STATEMENT

The risk management process will become embedded into the municipality's internal control systems and processes, thereby ensuring that our response to risk remain current and dynamic. All risk management efforts will be focused on supporting Moretele Local Municipality's objectives. Equally, the efforts must also ensure compliance with relevant legislation, and fulfill the expectation of our officials, communities and other stakeholders in terms of corporate governance.

4 THE POLICY

- 4.1 Moretele Local Municipality takes a structured and consistent approach to risk management. Therefore every responsible manager shall:
- Identify all risks that could influence the achievement of set objectives

- Assess risks on the basis of probability of occurrence and the possible negative impact that this will have on the achievement of Moretele Local Municipality objectives
- Define the risk response and control activities addressing unacceptable high levels of risks
- Inform and communicate unacceptable high level of risks to the relevant Managers, Directors and the Risk Management Committee.
- Continuously monitor the effectiveness of controls and action plans/mitigation measure.
- Report quarterly on progress made in regard to the implementation of risk mitigation plans.
- Include the risk management responsibilities in their performance agreements.

4.2 Moretele Local Municipality is committed to the prevention and detection of misconduct due to fraud, theft and corruption. Moretele Local Municipality shall annually compile a Fraud Prevention Plan outlining roles, responsibilities and procedures regarding deterrence, detection and reporting of fraudulent activities, theft and corruption.

5 POLICY APPLICATION

This policy applies to Moretele Local Municipality and its entities as may be established to take care of certain business interest of the local municipality.

6 ROLES AND RESPONSIBILITIES

6.1 Council

The council should take an interest in the risk management to the extent necessary to obtain comfort that properly established and functioning system of risk management are in place to protect the institution against significant risks. The council should approve the risk management policy and strategy.

Other responsibilities of council in risk management includes the following:

- a) Obtaining assurance that key risks inherent in the institution's strategies were identified and assessed and are being properly managed.
- b) Assisting the Accounting Officer to deal with fiscal, intergovernmental, political and other risks beyond their direct control and influence.

- c) Ensuring that the institutional strategies are aligned to the government mandate.
- d) Obtaining assurance from management that the institution's strategic choices were based on rigorous assessment of risk.

6.2 Risk Management Committee

The Risk Management Committee's primary purpose is to oversee the process of risk management within Moretele Local Municipality, by focusing on the quality, integrity and reliability of the process and responses. It also provides recommendations to council to continuously improve the management of specific risks as well as the overall process of risk management. The Chairperson of the Committee shall be an external independent subject expert and shall report to the Internal Audit Committee.

All departments of Moretele Local Municipality shall be represented in the committee. Internal Audit will act as an observer of proceedings at the meetings.

6.3 The Municipal Manager's Office

The Municipal Manager as the Accounting Officer is ultimately responsible for risk management and assumes "ownership" thereof. He /She sets the "tone at the top" that affects integrity and ethics in the internal environment.

6.4 Risk Management unit

The Risk Management unit is primarily responsible for bringing to bear specialist expertise to assist Moretele Local Municipality to embed and leverage the benefits of risk management to achieve Moretele Local Municipality' stated objectives by:

- Facilitating an effective, efficient and transparent risk management process in order to develop policies, procedures, roles and responsibilities.
- Providing support, risk management administrative leadership and advice to management components in the identification and assessment of risks.

6.5 Departmental Heads /Directors

Directors are responsible for risk management in their respective departments. They must monitor unacceptable high levels of risks within their respective departments.

6.6 Internal Audit

The Internal Audit unit is responsible for providing independent assurance on the effectiveness of the risk management process within Moretele Local Municipality. Internal Audit must assist management and the Risk Management Committee in recommending improvements as far as the adequacy and effectiveness of the institution's risk management process

6.7 External Audit

The responsibility of the external auditor (Auditor General) is to provide an independent opinion on the effectiveness of risk management.

6.8 Other Officials/Personnel

Other officials' responsibility is to ensure that risk management process has been integrated into the day-to-day activities of Moretele Local Municipality through:

- Adherence to the code of conduct of Moretele Local Municipality.
- Provision of information and co-operation with other role players.
- Active participation in the risk identification and assessment within their respective departments and business units.
- Implementation of risk responses to address the identified risks.

6.9 Risk Champion

The responsibility of risk champion involves the intervening in instances where the risk management efforts are being hampered, for example, by the lack of Institutional skills and expertise. Risk champions add value to the management process by providing guidance and support to manage "problematic" risks and risks of a transversal nature that require a multiple Participant approach.

7 CONTROLS

7.1 Monitoring

Monitoring of the effectiveness of the policy and compliance with the risk management process will be monitored by the Risk Management unit in conjunction with other supporting units such as Internal Audit and Compliance through reviews and reports.

The policy's impact on the various departments of Moretele Local Municipality will be ascertained by how risks are identified, and their occurrence minimized in containing the harm or damage to the assets and employees of the municipality.

7.2 Reporting

The Risk Management Committee shall report annually to Council and on quarterly basis to the Mayoral Committee via the Audit Committee.

The Risk Management unit shall report quarterly to the Risk Management Committee.

Heads of Departments/Directors are ultimately accountable to the Municipal Manager's office and the Risk Management Committee. They are required to report quarterly to the Municipal Manager's office on the implementation of risk mitigation action plans.

As managers' core responsibilities entail both authority and accountability, by virtue of their positions are accountable to the next higher level of authority in regard to their respective risk management responsibilities/functions.

7.3 Evaluation

This policy shall be reviewed once annually unless stated otherwise or in the event of such reviews being required by legislation. The effectiveness and efficiency of the policy shall be evaluated by the Internal Audit unit.

8 DEFINITIONS AND ABBREVIATIONS

Risks "Uncertain future events that could influence the achievement of set objectives". This could include strategic, operational, financial and compliance objectives.

Risk Management is a process, affected by the municipality's top management, applied in a strategic and operational setting. It is designed to identify potential events that may affect the municipality, manage risk to be within the municipality's risk appetite, and to provide reasonable assurance regarding the achievement of the set objectives.

Audit Committee: The Audit Committee is a committee of Council with an oversight responsibility for monitoring of risk management.