



MAKHADO LOCAL MUNICIPALITY

RISK MANAGEMENT POLICY, 2014

(Council Resolution A.145.14.10.14)

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1. Introduction

The Accounting Officer has committed the **Makhado Local Municipality (MLM)** 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 municipality's service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) 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 formalised process instituted by the municipality to identify, assess, manage and monitor risks. Risk management is proactive rather than reactive.

2.1 Benefits of Risk Management

The MLM 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:

- More sustainable and reliable delivery of services;
- Informed decisions underpinned by appropriate rigour and analysis;
- Innovation;
- Reduced waste;
- Prevention of fraud and corruption;
- Better value for money through more efficient use of resources; and
- Better outputs and outcomes through improved project and programme management.

3. Purpose of the Policy

The purpose of this Policy is to articulate the MLM's risk management philosophy. The MLM recognizes that risk management is a systematic and formalised process to identify, assess, manage and monitor risks and therefore adopts a comprehensive approach to the management of risk.

4. Policy Objectives

The key objectives of this risk management policy are:

- To guide the establishment of an enterprise wide risk management system and processes within the municipality;
- To guide the establishment of appropriate institutional arrangements to support effective implementation of the municipality's risk management system;
- To promote a uniform risk management approach within the municipality;
- To promote compliance with all relevant Local Government legislation, regulations, norms and standards;
- To promote awareness of risk management functions throughout the municipality;
- To facilitate monitoring and evaluation of risk management practices within the municipality.

5. Scope of the Policy

This policy applies throughout the MLM and its Regional Offices in as far as risk management is concerned.

6. Policy Statement

The realisation of our strategic plan depends on us 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. 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 and costs in the interest of all stakeholders;
- 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
- Maintaining an environment, that promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

An entity-wide approach to risk management will be adopted by the MLM, which means that every key risk in each part of the MLM 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 risk remain current and dynamic. All risk management efforts will be focused on supporting the MLM's objectives. Equally, they 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 the municipality management in their areas of responsibilities.

7.1 Risk Management Oversight

7.1.1 Council

The MLM council 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 municipality against significant risks. Council is accountable for the achievement of the goals and objectives of the Municipality and its municipal entities. As risk management is an important tool to support the achievement of this goal, it is important that the Council provides leadership to Governance and Risk Management.

7.1.2 Audit Committee

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

7.1.3 Risk Management Committee

The Risk Management Committee is appointed by the Accounting Officer to assist him/her to discharge the responsibilities for 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 (CRO) 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 accountable to the accounting officer for designing, implementing and monitoring risk management, and integrating it into the day-to-day activities of the municipality. This needs to be done in such a manner as to ensure that risk management becomes a valuable strategic management tool for underpinning the efficacy of service delivery and value for money.

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 Chief Risk Officer

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

7.3.2 Risk Champion

Risk management champions are drawn from the existing resources, from within the operations and functions of the various business units. Risk Management Champions will be responsible for coordinating the risk management initiatives within their respective departments and providing support to the Chief Risk Officer.

7.4 Risk Management Assurance Providers

7.4.1 Internal Audit

The role of the Internal Audit 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.

7.4.2 External Audit

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

8. Relevant Documentation

The Risk Management Policy should be read in conjunction with the Risk Management Strategy and Risk Management Implementation Plan.

9. Implementation of the Policy

The policy will be communicated throughout the municipality during monthly departmental meetings. The policy will also be posted on the Municipal Intranet and the Website.

10. Approval of the Policy

The approval of this Policy rest with the municipal council with recommendation of the Accounting Officer and Risk Management Committee

11. Policy Review

This Risk Management Policy will be reviewed annually/as and when need arise and submitted to the Council for approval.

Recommended by the Risk Management Committee Chairperson:

Name: _____

Signature: _____

Date: _____

Approved by the Accounting Officer:

Name: _____

Signature: _____

Date: _____