



# REVIEWED RISK MANAGEMENT POLICY

**2022/2023**

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## 1. INTRODUCTION

Thabo Mofutsanyana District Municipality (The Municipality) is committed 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.

Risk management is recognised as an integral part of responsible management and the Municipality therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Municipality's Risk Management Strategy and Risk Assessment Methodology.

## 2. POLICY INTENT

The purpose of this Policy is to articulate the TMDM'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.

## 3. RISK AND RISK MANAGEMENT

- 3.1. **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.
- 3.2. **Risk management** is a systematic and formalised process instituted by the municipality such as policies, procedures, and practices instituted to identify, assess, manage and monitor risks.

#### **4. Benefits of Risk Management**

The Municipality expects the following benefits in adopting this risk management policy and effectively implementing the Risk Management Strategy and its methodology:

- more sustainable and reliable delivery of services
- informed decisions underpinned by appropriate rigor and analysis;
- innovation;
- reduced waste;
- prevention of fraud and corruption;
- fewer surprises and crises
- help avoid damage to the municipality's reputation and image
- help ensure effective reporting and compliance with laws and regulation
- better value for money through more efficient use of resources; and
- better outputs and outcomes through improved project and programme management

### **5. RISK MANAGEMENT PHILOSOPHY AND APPLICATION**

#### **5.1. Risk Management Philosophy and Policy Statement**

The Municipality does not operate in a risk-free environment, and the risk management process does not create such an environment. Effective risk management assists the Municipality to achieve its performance and service delivery targets as set out in the Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP), and to reduce the potential loss of resources. This results in effective responsibility and accountability structures, the improvement of the format used to report performance, and with the compliance with laws and regulations, thus avoiding damage to its reputation and other consequences.

The risk management process should allow the Municipality to identify and analyse the physical risks associated with our decisions, so that all employees within the Municipality increase their knowledge and understanding of the Municipal exposure to the risks.

The quality and integrity of the Municipality's risk management performance should be dependent on all aspects of the Municipal businesses:

- Ensuring that appropriate focus is given to the identification, evaluation, treatment, monitoring and reporting of risks
- Ensuring that managing risk is an integral part of planning and management processes
- Informing, training and motivating all staff to enable them to implement effective risk management practice
- Maintaining a cost / benefit focus when developing risk mitigating strategies
- Identifying all stakeholders and interested parties as part of the overall risk management process and consulting and communicating appropriately with them
- Applying best operating practices consistently.

Effective risk management helps management achieve objectives. However, the Municipality's risk management, no matter how well designed and operated, does not ensure the Municipality's success. The achievement of objectives is affected by limitations inherent in all management processes. Shifts in government policy, programs or economic conditions can be beyond management's control. Decision-making is based on judgments and can be faulty, resulting in breakdowns because of such human failures as simple error or mistake. Municipality risk management cannot change an inherently poor manager into a good one. Additionally, controls can be circumvented by the collusion of two or more employees, and management has the ability to override the risk management process, including risk management strategies and controls.

The design of risk management must reflect the reality of resource constraints, and the risk management benefits must be considered relative to their costs. Thus, while risk management can help management achieve its objectives, it is not a panacea.

People, information and property are the most important assets of the Municipality and their protection and security is the means of achieving our objectives.

It is the personal responsibility of each staff and management member, whatever his / her position, to identify him / herself with the organisation's declared priority of safety of life and preservation of assets and revenues, to recognise risks, actual or anticipated, and to take immediate action to avoid, eliminate and transfer or reduce them.

The participation of all staff and management is essential and all soundly comprehended action to achieve these objectives has the full support of the Accounting Officer.

## **5.2. Application**

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

## **6. PRINCIPLES**

The municipality subscribes 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 stakeholder's expectations; and
- Maintaining an environment which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

## 7. ROLE PLAYERS

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

### a. Risk Management Oversight

#### i. Executive Council

The Executive 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.

#### ii. Audit and Performance Audit Committee (APAC)

The Audit and Performance 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 and Performance Audit Committee provides an independent and objective view of the Municipality's risk management effectiveness.

#### iii. Risk Management Committee

The Risk Management Committee is appointed by the Accounting Officer to assist them to discharge their 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, risk tolerance and appetite, and the responses to address these key risks.

The Committee will submit a quarterly report to the Accounting Officer that will outline the work performed by the committee and recommendations in that specific quarter and consider responsibilities as formally defined in its charter.

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## **b. Risk Management Implementers**

### **i. Accounting Officer/Municipal Manager**

The Accounting Officer is the ultimate Risk Manager of the Municipality and is accountable for the Municipality's overall governance of risk. By setting the tone at the top, the Municipal Manager promotes accountability, integrity and other factors that will create a positive control environment.

### **ii. Management**

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

### **iii. 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.

## **c. Risk Management Support**

### **i. Risk Manager (RM)**

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

The Risk Owners must submit monthly reports on risk management activities in their units to the Risk Manager.

Thereafter, the Risk Manager will a quarterly report to the Risk Management Committee which will submit to Accounting Officer. Risk Committee Chairperson will then submit the report to the APAC, on risk management activities not limited to the following:

- ✓ What has been done to date to implement the control measure in different units;
- ✓ The effectiveness of the control measures in addressing/ eliminating/ managing the identified risks;
- ✓ Progress on the Risk Management Implementation Plan;
- ✓ Reasons that the target dates on the action plan could not be met;
- ✓ Any new potential risks that may arise in different units;
- ✓ To what extent a culture of risk management has been implemented within the Municipality.

## **ii. Risk Champion**

The Risk Champion's responsibility involves intervening 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 departmental skills and expertise. They should add value to the risk management process to provide guidance and support on the management of problematic risks and risks of a transversal nature that require the involvement of multiple people to address.

#### **d. Risk Management Assurance Providers**

##### **i. 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.

##### **ii. External Audit**

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

#### **8. POLICY REVIEW**

- ✓ This Policy shall be reviewed annually to reflect its effectiveness and the current stance on risk management.
- ✓ The amendments will be sent to the Risk Management Committee for review and recommendations to the Accounting Officer for approval by Council thereof.

#### **9. POLICY REVIEW**

- This Policy shall be reviewed annually to reflect the current stance on risk management.
- The amendments will be sent to the Risk Management Committee for recommendations and to the Accounting Officer and Council for approval.