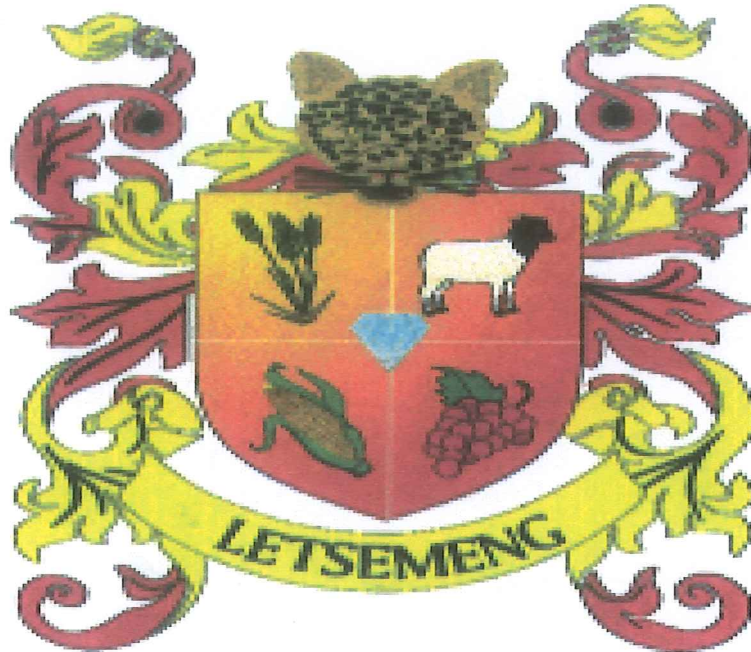


LETSEMENG LOCAL MUNICIPALITY



RISK MANAGEMENT POLICY

2019 - 2020

Table of Contents

Page

1. Definitions	3
2. Introduction and Background	4
3. Policy Intent	4
4. Policy Statements	5
5. Policy Objectives	5
6. Principles	6
7. Legislation	6
8. Outcomes	7
9. Reporting	7
10. Monitoring	8
11. Policy Administration	
8	

1. DEFINITIONS

<u>Term</u>	<u>Description</u>
Risks:	Any threat or event that has a reasonable chance of occurrence in the future, which could undermine the institutions pursuit of its goals and objectives. Risk Manifest as negative impacts on goals and objectives or as missed opportunities to enhance institutional performance. Stakeholders expect Municipality to anticipate and manage risks in order to eliminate waste and inefficiency, reduce shocks and crises and to continuously improve capacity for delivering on their institutional mandates.
Risk Management:	Risk management is a continuous, proactive and systematic process, effected by a Municipality's Council, accounting officer, management and other personnel, applied in strategic planning and across the Municipality, designed to identify potential events that may affect the Municipality, and manage risks to be within its risk tolerance, to provide reasonable assurance regarding the achievement of Municipality objectives.
Enterprise Risk Management:	Enterprise risk management (ERM) is the application of risk management throughout the Municipality rather than only in selected business areas or disciplines.
Risk Analysis:	A process that involves identifying the most probable threats to the Municipality and analysing the related vulnerability of the Municipality to the threats. This includes risk assessment, risk characteristics, risk communication, risk management, and policy relating to risk.
Risk Assessment:	The process concerned with determining the magnitude of risk exposure by assessing the likelihood of the risk materialising and the impact that it would have on the achievement of objectives.

LETSEMENG RISK MANAGEMENT POLICY

Risk Identification:	The process concerned with identifying events that produce risks that threaten the achievement of objectives
Inherent Risks:	A risk that is intrinsic (a risk which it is impossible to manage) to Municipality activity and arises from exposure and uncertainty from potential events. It is evaluated by considering the degree of probability and potential size of an adverse impact on strategic objectives and other activities.
Residual Risk:	The risk remaining after management took action to reduce the impact and likelihood of an adverse.
Strategic Risks:	Any potential obstacles that may impact on the ability of the Municipality to achieve its strategic objectives.
Risk Response:	The process concerned with determining how the Municipality will mitigate the risks it is confronted with, through consideration of alternatives such as risk avoidance, reduction, risk sharing or acceptance.
Monitor:	The process of monitoring and assessing the presence and functioning of the various components overtime.
Risk Champions:	The Risk Champion is a person with the skills, knowledge and leadership required to champion the risk management cause.
Risk Appetite:	The amount of residual risk that the institution is willing to accept.
Risk Tolerance:	The amount of risk the institution is capable of bearing (as opposed to the amount of risk it is willing to bear)

2. INTRODUCTION AND BACKGROUND

The Accounting Officer / Authority has committed Letsemeng Local Municipality to a process of risk management that is aligned to the principles of good corporate governance, as supported by Municipal Finance Management Act (MFMA), Act no 56 of 2003.

3. POLICY INTENT

The aim of this policy is to ensure that the Municipality makes informed decisions with regard to the activities that it undertakes by appropriately considering both risks and opportunities.

This policy outlines the outcomes and compliance obligations regarding the Risk Management for all employees.

4. POLICY STATEMENTS

Letsemeng Local Municipality is committed to the effective risk management and treatment of risk in order to achieve the Municipality's objectives.

Management of risk is the responsibility of all Executive, Senior Management and employees. Section 62 (1) (c) (i) of the Municipal Finance Management Act requires: *"The accounting officer to ensure that the municipality has and maintain an Effective, efficient and transparent systems of financial and risk management and internal control."*

It is important that employees become aware of the risks associated with their area of work and must manage these risks to be within tolerance level by using risk management response strategies outlined in the Municipality's risk management strategy.

5. POLICY OBJECTIVES

- 5.1 To explain Municipality's approach to risk management and ensure that it has a consistent and effective approach to risk management;
- 5.2 To ensure that the Municipality's culture and processes encourage the identification assessment and treatment of risks that may affect its ability to achieve its objectives;
- 5.3 To explain key aspects of risk management;
- 5.4 To clearly indicate the risk management reporting procedures;
- 5.5 To hold executive, management and officials accountable for the implementation of risk management on their area of responsibility;
- 5.6 To create an environment where all the Municipality's employees take responsibility for managing risk;
- 5.7 To create a more risk aware organizational culture through enhanced communication and reporting of risk;
- 5.8 To improve corporate governance and compliance with relevant legislation;

5.9 The implementation of this policy will provide the Municipality with a basis and a framework for:

- more confident and rigorous decision-making and planning;
- better identification of opportunities and threats;
- pro-active rather than re-active management;
- more effective allocation and use of resources;
- improved management and reduction in loss and cost of risk;
- improved stakeholder confidence and trust;
- a clear understanding by all staff of their roles, responsibilities and authorities for managing risk.

6. PRINCIPLES

6.1 Risk management is recognised as an integral part of responsible management and therefore, Municipality adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Municipality's Risk Management Strategy. It is expected that all components' operations and processes will be subject to the risk management strategy. It is the intention that these components work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.

6.2 Risk management must be embedded in the strategic planning of the Municipality

6.3 As risk management is necessary for planning and decision making, risk management must be embedded in all the decision making processes. Therefore, before a decision is taken, the risks it poses must be identified.

6.4 The Municipality's risk tolerance level must be determined by top management and is outlined in the Risk Management Strategy.

6.5 All personnel must be willing and able to take calculated risks to achieve their own and the Municipality's objectives and to benefit the Municipality. The associated risks of proposed actions and decisions must be properly identified, evaluated and managed to ensure that exposures are acceptable.

6.6 The Municipality will conduct a risk assessment on an annual basis with a review or re-assessment of the risks conducted on quarterly basis to ensure maximum mitigation thereof.

6.7 Risks will be owned and managed by the Units where the risk resides.

6.8 This policy is subject to an annual review in line with risk management framework and legislation.

7. LEGISLATION

The Accounting Officer must commit the Municipality to a process of risk management that is aligned to the principles of good corporate governance, as supported by:

- Municipal Finance Management Act (MFMA), Act 56 of 2003;
- Municipal Systems Act (MSA) Act 117 of 1998);
- Municipal Structures Act (MSA) Act 32 of 2000); and
- Treasury Regulations 3.2.1.

8. OUTCOMES

The required outcomes of this policy are as follows:

8.1 The municipality has a credible Risk Register (Strategic, Operational, Fraud and Projects) with associated mitigating strategies;

8.2 Executive leadership and Senior Management undertake a formal review and analysis of Strategic risks on an annual basis;

8.3 Senior Managers, Managers and other relevant staff undertake a formal review and analysis of Operational, Fraud and Projects risks bi-annual;

8.4 Management review the progress of risk mitigating strategies quarterly through the use of the Risk Management Committee;

8.5 Post-event analysis is undertaken to capture ‘lessons learned’ from significant risk events.

9. REPORTING

9.1 REPORTING BY THE RISK MANAGEMENT OFFICER

9.1.1 The Risk Owners must submit Quarterly reports on risk management activities in their units to the Risk Officer.

9.1.2 The Risk Management Officer will submit a quarterly report to the Risk Management Committee and Audit Committee on risk management activities not limited to the following:

- What has been done to date to implement the control measures in different units,
- The effectiveness of the control measure in addressing / eliminating / managing the identified risks.

- Progress on the Risk Management Implementation Plan.
- Any new potential risks that may arise in different units.
- To what extent a culture of risk management has been implemented in the Municipality.

9.1.3 Report administratively to Accounting Officer and functionally to Risk Management Committee.

9.1.4 In the event that the Risk Committee is disbanded or no longer exist, the Accounting Officer will become the delegated functional reporting line and therefore will become authorised to approve the risk management reports.

9.2 REPORTING BY THE RISK MANAGEMENT COMMITTEE

9.2.1 The Risk Management Committee will submit a quarterly report to the Accounting Officer that will outline the work performed by the committee in that specific quarter and must consider the responsibilities outlined in the risk management committee charter.

10. MONITORING

10.1 The Risk Management Officer must monitor the effectiveness of risk mitigating strategies on quarterly basis;

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

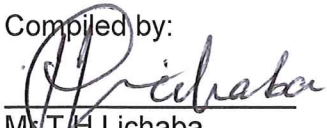
10.3 The internal audit unit must provide independent assurance on the effectiveness of risk management activities in line with their internal audit coverage plan.

11. POLICY ADMINISTRATION

11.1 The effectiveness of the policy will be reviewed annually.

11.2 The amendments made in this policy will be sent to the Risk Management Committee for recommendation and to Accounting Officer for approval.


Compiled by:


M.T.H Lichaba
Risk Officer
Letsemeng Local Municipality

26/06/2019
Date:

Recommendation and Approval:

The Risk Management Committee recommends the approval of this Policy:


Ms D.S Nage
Chairperson:

26 JUNE 2019
Date:

LETSEMENG RISK MANAGEMENT POLICY

Risk Management Committee

The Accounting Officer has reviewed and approved this Policy:



Mr T L Mkhwane
Accounting Officer
Letsemeng Local Municipality

26/01/2019
Date: