



**MANGAUNG METROPOLITAN
MUNICIPALITY**

RISK MANAGEMENT POLICY

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1. INTRODUCTION AND BACKGROUND

In terms of sections 62(1)(c)(i) and 95(c)(i) of the Municipal Finance Management Act (No 56 of 2003) (hereafter the MFMA), the Accounting Officer is required to ensure that the City has and maintains an effective, efficient and transparent systems of risk management.

Through this revised policy the City puts into practice its commitment to implement risk management and institutionalise a culture of Integrated Risk Management (IRM) within the City. This policy forms the basis for the accompanying Risk Management Strategy and Implementation Plan which is designed to help achieve the objective of implementing an effective IRM process and to ensure compliance with the legislative framework.

Risk management is a systematic process to identify risks to the municipality in achieving its strategic objectives as determined in the integrated development plan. It is an integral part of the approach to decision making and accountability, comprising the organisational culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the municipal environment.

2. POLICY INTENT

The intention of this policy cannot be to eliminate all risks to the municipality. It is to assist personnel to manage the risks involved in all activities to maximise opportunities and minimise adverse consequences. Furthermore, the aim of this policy is to ensure that informed decisions with regard to the activities that are undertaken by personnel appropriately considers both risks and opportunities.

However, this Risk Management Policy forms part of the City's internal control and governance arrangements. It sets out a high-level overview for managing risks within the City. This policy outlines the outcomes and compliance obligations regarding the Risk Management for all employees.

3. COMMITMENT STATEMENTS

Mangaung Metropolitan Municipality is committed to the effective risk management and treatment of risks in order to achieve its objectives. Management of risk is the responsibility of all Executives, Senior Management and Employees.

Section 62 (1) (c) (i) of the MFMA requires that "the municipality has and maintains effective, efficient and transparent systems of financial, risk management and internal control."

Mangaung Metropolitan Municipality will make sure:

- Risk Management is an integral part of the municipality's key business planning, resourcing and decision making processes;
- There is a consistent and systematic approach to the management of risks across the municipality that Risk Management Strategy is followed and complied with;
- Staff have the necessary training to allow them to participate in risk management activities;
- That the municipality is honest in relation to the risks and challenges facing the municipality;
- 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 municipal's risk management strategy.

4. POLICY OBJECTIVES

- a. To explain Municipality's approach to risk management and ensure that it has a consistent and effective approach to risk management;
- b. 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;
- c. To explain key aspects of risk management;
- d. To clearly indicate the risk management reporting procedures;
- e. To hold executive, management and officials accountable for the implementation of risk management on their area of responsibility;
- f. To create an environment where all the Municipality's employees take responsibility for managing risk;
- g. To create a more risk aware organizational culture through enhanced communication and reporting of risk;
- h. To improve corporate governance and compliance with relevant legislation.

The implementation of this policy will provide Mangaung Metropolitan 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 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.

5. PRINCIPLES

- a. Risk management is recognised as an integral part of responsible management and therefore, Mangaung Metropolitan Municipality adopt 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.
- b. Risk management must be embedded in the strategic planning of the Municipality.
- c. As risk management is necessary for planning and decision making. Risk management must be embedded in all the decision making processes. Before decision is taken, the risks it poses must be identified.
- d. The Municipality's risk tolerance level must be determined by top management and outlined in the Risk Management Strategy.
- e. 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.
- f. 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.
- g. Risks will be owned and managed by the Directorates where the risk resides.
- h. This policy is subject to an annual review in line with risk management framework.

6. LEGISLATION

The Accounting Officer / City Manager commits Mangaung Metropolitan Municipality to a process of risk management that is aligned to the principles of good corporate governance, as supported by:

- The Constitution of the Republic of South Africa, Act 108 of 1996
- 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
- National Treasury Public Sector Risk Management Framework

7. OUTCOMES

The expected outcomes of this policy are as follows:

- The municipality has a credible Risk Register (Strategic, Operational and Fraud) with associated mitigating strategies;
- Executive leadership and Senior Management undertake a formal review and analysis of Strategic risks on an annual basis;
- Senior Managers, Managers and other relevant staff undertake a formal review and analysis of Operational and Fraud Register;
- Management review the progress of risk mitigating strategies quarterly through the use of the Risk Management Committee;
- Post-event analysis is undertaken to capture "lessons learned" from significant risk events.

8. REPORTING

8.1 REPORTING BY THE CHIEF RISK OFFICER

8.1.1 The Risk Owners must submit quarterly reports on risk management activities in their units to the Chief Risk Officer.

8.1.2 The Chief Risk Officer must consolidate, analyse and 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 directorates;
- The effectiveness of the control measure in addressing / eliminating / managing the identified risks;
- Progress on the Risk Management Implementation Plan;
- Reasons that the target date on the action plan could not be reached;
- Any new potential risks that may arise in different directorates;
- To what extent a culture of risk management has been implemented in the Municipality.

8.2 REPORTING BY THE RISK MANAGEMENT COMMITTEE

8.2.1 The Risk Management 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 must consider the responsibilities outlined in the risk management committee charter.

9. MONITORING

- a. The Chief Risk Officer must monitor the effectiveness of risk mitigating strategies on quarterly basis;
- b. The Risk Management Committee must monitor implementation and effectiveness of the risk management function quarterly.
- c. The internal audit unit must provide independent assurance on the effectiveness of risk management activities in line with their internal audit coverage plan.

10. POLICY ADMINISTRATION

The Risk Management Unit is responsible for the monitoring and revision of this policy. The policy shall be revised and approved by Council when operational needs require this, but at least once during every term of Council.

RECOMMENDED

THAT the **Risk Management Policy** and the contents thereof be tabled for approval by Council.

Version: Version 1

Date: July 2020

	Resolution Number	Date	Signature
Approved by the Council			