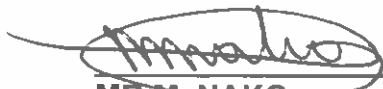


RISK MANAGEMENT POLICY 2025/2026FY



APPROVED BY:


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DATE: 19/06/2025

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DATE: 19/06/2025

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1. **PURPOSE**

The Municipal Manager is responsible and accountable for directing and monitoring MLM's risk management activities and related performance in a structured framework. All core / support services support the Municipal Manager to maintain an effective system of risk management.

2. **OBJECTIVE**

Municipal Finance Management Act which stipulates in Section 62 that:

"The Municipal Manager has and maintains effective, efficient and transparent systems:

- i) of financial and risk management and internal control; and
- ii) of internal audit operating in accordance with any prescribed norms and standards ".

The extension of the general responsibilities, in terms of Section 78 of the MFMA, to all top Management is a cornerstone in the institutionalization of risk management in the public service. It establishes responsibility for risk management at all levels of management, extending it beyond the roles of the Accounting Officer, the internal audit units, or the Audit Committee in this regard.

The Institute of Internal Auditors defines risk as the uncertainty of an event occurring that could have an impact on the achievement of objectives. Risk is measured in terms of consequences and likelihood.

Risk management is defined as:

"a continuous, proactive and systematic process, effected by an entity's executive authority, accounting officer, management and other personnel, applied in strategic planning and across the entity, designed to identify potential events that may affect the department, and manage risks to be within its risk tolerance, to provide reasonable assurance regarding the achievement of entity's objectives."

Risk management is more than an exercise in risk avoidance. It is as much about identifying and utilizing opportunities as avoiding or mitigating losses.

3. SCOPE

The underlying premise of Enterprise Risk Management (ERM) is that every entity exists to provide value for its stakeholders. All entities face uncertainty and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. ERM enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.

Value is maximised when management sets objectives to achieve an optimal balance between growth and related risks, and effectively deploys resources in pursuit of the entity's objectives.

4. POLICY DEFINITIONS

Frequently used terminology

Terminology	Definition of terminology
Risk	Risks are uncertain future events (threats and opportunities) that could influence the achievement of the goals and objectives of the Municipality.
Risk Management	Risk management is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues and opportunities.
Risk Assessment	The overall process of identifying, analyzing, and evaluating risk. The risk assessment process should consider risks that are significant to the achievement of the Municipality's objectives. This is a continuous process, requiring regular reviews, as and when internal and external changes

Terminology	Definition of terminology
	influence the Municipality's strategies and objectives.
<p>Enterprise Risk Management (ERM)</p>	<p>Enterprise risk management is a structured and consistent approach across the Municipality that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks (threats and opportunities) that the Municipality faces to create stakeholder value.</p> <p>or</p> <p>Choices made under conditions of uncertainty, bound by acceptable levels of risk, designed to sustain / maximize stakeholder value.</p> <p>or</p> <p>ERM deals with risks and opportunities affecting value creation or preservation and is defined as follows:</p> <p>“Enterprise Risk Management is a process, effected by the Council, Executive Management and personnel, applied in strategy setting and across the operations of the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.¹”</p>
<p>Residual Risk</p>	<p>Risk after considering the effectiveness of management's risk responses.</p>

¹ COSO (The Committee of Sponsoring Organizations of the Treadway Commission)

Terminology	Definition of terminology
Risk Mitigation	The process of selecting and implementing measures to modify risk (encompasses risk avoidance, risk reduction, risk retention and risk transfer).
Risk Categories	Grouping of risks with similar characteristics used in establishing the clients risk portfolio (see risk profile). Ultimately determined by the client, the characteristics used to define risk categories typically reflect the client's business model, industry or other factor that drives risk within the organization.
Risk Profile	Identification and listing of risks, typically in order of highest to lowest based on a qualitative or quantitative measurement approved by client management.
Risk Strategy	The approach adopted for associating and managing risks based on the Municipality's objectives and strategies.
Risk Appetite	The amount of risk taken in pursuit of value.
Key performance indicators (KPIs)	Key performance indicators (KPIs) are quantitative measurements, both financial and non-financial, of the process's ability to meet its objectives and of the process' performance. They are usually analyzed through trend analyses within an entity or through benchmarking against a peer of the entity or its industry.
Process	Structured set of activities within an entity, designed to produce a specified output.
Impact	This is the magnitude of the impact on the Municipality should the risk actually materialise.
Probability	This is the likelihood that the risk will materialise.

Terminology	Definition of terminology
Inherent risk	This is the product of the likelihood and the severity of outcome, prior to control measures.
Hazard	The source of or exposure to danger.
Incident	An undesired event as a result of a risk behavior, or high-risk conditions, without resulting in loss, but has the potential for losses.
Accident	Undesired event as a result of a risk behavior or high risk conditions resulting in personal injury, property damage and or service delivery interruption.

5. LEGISLATIVE FRAMEWORK

- 5.1. Constitution Act 108 of 1996
- 5.2. Municipal Finance Management Act
- 5.3. Municipal Systems Act
- 5.4. Risk Management Framework

6. POLICY OR PROCEDURE

6.1. Principles of Risk Management

The principles contained in this policy will be applied at both corporate and operational levels within the municipality.

- (i) The MLM's risk management policy will be applied to all operational aspects of the municipality and will consider external strategic risks arising from or related to our partners in projects, government departments, the public and other external stakeholders, as well as wholly internal risks.
- (ii) Our positive approach to risk management means that we will not only look at the risk of things going wrong, but also the impact of not taking opportunities or not capitalising on corporate strengths.
- (iii) All risk management activities will be aligned to the MLM values and principles, objectives and organisational priorities, and aims to protect and enhance the reputation and standing of the organisation.
- (iv) Risk analysis will form part of organisational strategic planning, business planning and investment / project appraisal procedures. Risk management will be founded on a risk-based approach to internal control, which is embedded in day-to-day operations of the organisation.
- (v) Our risk management approach will inform and direct our work to gain confidence on the reliability of our risk controls strategies and therefore

provide assurance. Managers and staff at all levels will have a responsibility to identify, evaluate and manage or report risks, and will be equipped to do so.

- (vi) Risk management in the municipality should be proactive and reasoned. Strategic risks should be identified, objectively assessed, and, where this is the appropriate, response actively managed.
- (vii) The aim is to anticipate, and where possible, prevent risks resulting in unwanted events rather than dealing with their consequences. However, for some risks where the likelihood of a risk occurring is remote, but the consequences on the entity is high, we will ensure that business continuity plans are developed and authorized by the Municipal Manager. This will allow us to contain the negative effect of unlikely events, which might occur.
- (viii) In determining appropriate risk management controls, the cost of control / risk management, and the impact of risks occurring will be balanced with the benefits of reducing risk. This means that we will not necessarily set up and monitor controls to counter risks where the cost and effort are grossly disproportionate to the impact or expected benefits.
- (ix) We also recognize that some risks can be managed by transferring them to a third party, for example by insurance. In the current climate it is rare to effectively / fully transfer risks by contracted arrangements.

6.2 Benefits of Enterprise Risk Management

The benefits of the successful implementation of enterprise risk management in the MLM encompass:

- (i) **Aligning risk appetite and strategy** – Management considers their risk appetite in evaluating strategic alternatives, setting related objectives and developing mechanisms to manage related risks.

- (ii) **Enhancing risk response decisions** - ERM provides the right for management to identify alternative risk responses – risk avoidance, reduction, sharing, and acceptance.
- (iii) **Reducing operational surprises and losses** – MLM gains enhanced capability to identify potential events and establish responses thereby reducing surprises and associated costs or losses.
- (iv) **Identifying and managing multiple and cross-enterprise risks** – MLM faces a myriad of risks affecting different parts of the organization and ERM facilitates effective responses to the interrelated impacts and enhances an integrated response to multiple risks.
- (v) **Seizing opportunities** - By considering a full range of potential events, Management is positioned to identify and proactively realise opportunities.
- (vi) **Improving deployment of capital** - Obtaining robust risk information allows Management to effectively assess overall funding requirements and enhance funding allocation.
- (vii) **Ensuring compliance with laws and regulations** - ERM contributes to effective reporting and monitoring of compliance with laws and regulations and assists with the limitation of damage to MLM's reputation and associated consequences.
- (viii) **Increasing probability of achieving objectives** - ERM helps management achieve MLM's performance and financial targets and assists with the prevention of loss of resources. Controls and risk interventions will be chosen on the basis that they increase the likelihood that MLM will fulfill its intentions / commitments to its stakeholders.

7. GENERAL POLICY PROVISIONS

- (a) At Mbhashe Local Municipality (MLM), we are committed to the optimal management of risk in order to achieve our vision, mission, objectives, strategies and plans and to protect our core values.
- (b) The Municipal Manager has committed the 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 and the King IV Report on Corporate Governance
- (c) Risk management is recognised as an integral part of responsible management and the MLM therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in the MLM's Risk Management Strategy. It is expected that all departments / sections, operations and processes will be subject to the risk management strategy. It is the intention that these departments / sections will work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.
- (d) Effective risk management is imperative to the MLM to fulfill its mandate, the service delivery expectations of the public and the performance expectations within the MLM.
- (e) The realization of our Integrated Development Plan depends on us being able to take calculated risks in a way that does not jeopardize 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.

- (f) 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, which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.
- (g) 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 MLM'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.
- (h) Equally, they must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance. Different risk related or assurance provider functions will align their various goals and reporting processes into one cohesive and structured framework. All of MLM's business, financial, technological, legal and operational risk exposures, whether they are insurable or not, will be identified, assessed, and appropriately managed.
- (i) The risk policy statement shall be reviewed annually to reflect the current stance on risk management
- (j) Flow chart for the management and reporting of risk to the municipality

The following flow chart depicts a structured way on how each line of responsibility supposed to report the process of risk management in Mphashe local municipality

8. PROCEDURE FOR IMPLEMENTATING POLICY

Risk Management Guidelines

8.1. Risk appetite and control appetite

Control appetite is the amount an organisation is willing to spend in time, money and/or resources to reduce a risk to an acceptable residual level (i.e. retained remaining risk). Risk appetite is the level of risk that an organisation is willing to accept or retain while pursuing its objectives. The lower the risk appetite, the more controls are required, which implies a higher cost. It is therefore important to maintain a balance between the risk appetite and the cost to control the risk – that is, the control appetite.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Three components or factors of the operational risks:

- a) People
- b) Process
- c) Systems
- d) External event

Risk Management Components (Risk Management Cycle)

Enterprise risk management consists of eight interrelated components. These are derived from way management runs organization, and are integrated with the management process. These components are:

8.1.1. Internal environment – Management sets a philosophy regarding risk and establishes a risk appetite. The internal environment sets the foundation for how risk and control are viewed and addressed by entity's people. The core of any business is its people, their individual attributes, including ethical values,

competence and the environment in which they operate. They are the engine that drives the entity and the foundation on which everything rests.

- 8.1.2. **Objective setting** – Objectives must exist before management can identify events potentially affecting their achievement. Enterprise risk management ensures that management has a process in place to set objectives that the chosen objectives support and align with the entity's mission/vision and are consistent with entity's risk appetite.
- 8.1.3. **Event identification** – Potential events that might have an impact on the entity must be identified. Event identification includes identifying factors internal and external that influence how potential events may affect strategy implementation and achievement of objectives. It includes distinguishing between potential events that represent risks, those representing opportunities and those that may be both. Management identifies interrelationships between potential events and may categorise events in order to create and reinforce a common risk language across the entity and form a basis for considering events from portfolio perspective.
- 8.1.4. **Risk assessment** – Identified risks are analysed in order to form a basis for determining how they should be managed. Risks are associated with relevant objectives that may be affected. Risks are assessed on both an inherent and residual basis, and the assessment considers both risk likelihood and impact. A range of possible results may be associated with potential event and management needs to consider them together.
- 8.1.5. **Risk response** – Management selects an approach or set of actions to align assessed risks with the entity's risk appetite, in the context of the strategy and objectives. Personnel identify and evaluate possible responses to the risks, including avoiding, accepting, reducing and sharing.
- 8.1.6. **Control activities** – Policies and procedures are established and executed to help ensure that the risk responses management selected are effectively carried out.

8.1.7. Information and communication – Relevant information is identified, captured and communicated in a form and timeframe that enable people to carry their responsibilities. Information is needed at all levels of an entity for identifying, assessing and responding to the risk. Effective communication also must occur in a broader sense, flowing down, across and up the entity. Personnel need to receive clear communications regarding their role and responsibilities.

8.1.8. Monitoring – The entire risk management process must be monitored and modifications made as necessary. In this way, the system can react dynamically, changing as conditions warrant. Monitoring is accomplished through ongoing management activities, separate evaluations of the enterprise management process, or a combination of the two.

8.2 Risk Management Accountability, roles and responsibilities

All personnel have a responsibility for maintaining good internal control and managing risk in order to achieve personal, workgroup and corporate objectives. Collectively, staff at operating units needs the appropriate knowledge, skills, information and authority to establish, operate and monitor the system of risk control. This requires a good understanding of the entity, its objectives, the risks it faces and the people we deal with. Everyone should be aware of the risks they are empowered to take, which should be avoided and reported upwards.

- 8.2.1 Establishment and monitoring of the implementation of the risk management Policy and Plan.
- 8.2.2 The committee is responsible for managing and monitoring of significant risk to the municipality including emerging and potential risks.
- 8.2.3 Ensuring that the responsibilities and co-ordination of risk management are clear.
- 8.2.4 Advising the Council and Municipal Manager on urgent risk management issues and required initiatives as part of its quarterly reporting process.
- 8.2.5 Overseeing the implementation and maintenance of the ongoing process of risk identification, quantification, analysis and monitoring throughout the Municipality.

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- 8.2.6 Ensuring that the risk management induction, training and education programs are targeted appropriately for all levels of personnel and that it is established and implemented.
- 8.2.7 Reviewing and recommending actions for improvement regarding outstanding actions on risk management plans;
- 8.2.8 Evaluating the risk profile of the Municipality as well as for major projects and new ventures pursued by the Municipality.
- 8.2.9 The Risk Management Committee will monitor MLM's key risks to be formally re-evaluated once a year.
- 8.2.10 Reviewing issues for consideration as identified by the Council and Risk Management Committee.

The structures through which risk management will be reported are set out below. Detailed guidelines on roles and responsibilities are provided

A1. Roles and responsibilities of the Council and Municipal Manager

A.1.1.1 The Council, Municipal Manager and Top Management are accountable for risk management.

The MLM Risk Management Policy should outline council's responsibilities for the management of risk within MLM. These responsibilities are stated as follows:

The Council together with the Municipal Manager and Heads of Directorates are responsible for the identification of major risks, the total process of risk management, as well as for forming its own opinion on the effectiveness of the process. Management is accountable to the Council for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the entity;

The Council, Municipal Manager and Heads of Directorates should identify and fully appreciate the business risk issues and key performance indicators affecting the ability of the entity to achieve its strategic purpose and objectives.

Council, Municipal Manager and Heads of the Directorates should ensure that appropriate systems are in place to manage the identified risks, measure the impact and proactively manage it

A.1.1.2 The Council and Municipal Manager will provide stakeholders with assurance that key risks are properly identified, assessed, mitigated, and monitored.

The Council together with the Municipal Manager should receive credible and accurate information regarding the risk management processes of the municipality in order to give the necessary assurance to stakeholders. The reports from the Audit Committee and Management Committees must provide an evaluation of the performance of risk management and internal control. The Council together with the Municipal Manager should ensure that the various processes of risk management cover the entire spectrum of corporate risk.

A.1.1.3 The Council and Municipal Manager will maintain a formal risk policy for the entity

Stakeholders need to understand the Council and Municipal Manager's standpoint on risk. The Council together with the Municipal Manager should therefore maintain the Municipality's formal risk policy, which decrees the Municipality's approach to risk. The risk policy statement underpins the development of the municipality's risk management process. The policy can be used as a reference point in matters of dispute and uncertainty such as risk tolerance and appetite for risk.

A.1.1.4 The Council and Municipal Manager will formally evaluate the effectiveness of entity's risk management process once a year

The Council together with the Municipal Manager will make up its own mind regarding the effectiveness of the Municipality's risk management processes. Success with risk management will be evaluated from risk committee reports, variance reports, and speed of progress, organizational risk culture, unexpected losses, internal control effectiveness and business success. The Council evaluations will be formally recorded in the minutes of Council meetings.

It is recognised that risk management has evolved into a complex management discipline. The Council's evaluation of risk management, therefore, will be supplemented by an independent review to be performed by the Municipality's Internal Audit function.

The annual review will be undertaken by qualified staff, which is able to review all aspects of risk management.

Management must ensure that sufficient independence is maintained in conducting the annual review. Assurance of the processes surrounding key risks must be given. This implies some knowledge of the processes of risk management and assumes that they have been witnessed to some degree. The observation of risk management processes should not, therefore, have had operational participation.

Management must ensure that sufficient independence is maintained in conducting the annual review. Criteria for the evaluation have been established. This implies some knowledge of the processes of risk management and assumes that it has been witnessed to some degree.

A.1.1.5 The Council and Municipal Manager will confirm that the risk management process is accurately aligned to the strategy and performance objectives of the entity

The Council together with the Municipal Manager will ensure that the risk management processes address risk in a balanced way, giving due attention to all types of risk. The Council together with the Municipal Manager will evaluate whether appropriate resources are being applied to the management of strategic risks, reputation, customer risk, and financial risk, operational, regulatory, and technical risks.

The Council together with the Municipal Manager will evaluate whether risk management processes are aligned to the strategic and performance objectives of the municipality. A balanced perspective of risk and risk management is required in proportion to the weighting of potential risk impact across the Municipality.

The Municipal Manager must ensure that there is a future-looking orientation included in the consideration of risk.

A.1.1.6 The Audit Committee will monitor the entity's risk management processes.

The Audit Committee will be responsible for addressing the corporate governance requirements of risk management and monitoring the Municipality's performance with risk management. The Audit Committee has a defined mandate and terms of reference, which covers the following aspects:

1. Purpose.
2. Responsibilities and duties.
3. Authority.
4. Membership; and
5. Meetings.

8.3 Risk Management Committee

The risk management committee will be responsible for addressing the corporate governance requirements of risk management and monitoring the Municipality's performance with risk management.

The committee has a defined mandate and terms of reference, which covers the following aspects:

- (i) Membership- composed by Municipal Manager and by all Heads of Departments.
- (ii) The chairperson should be an external independent member where possible. In the absence of the external person, the Municipal Manager becomes the chairperson of the Committee

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- (iii) Risk Officer (RO) will coordinate risk management
- (iv) Authority- This committee will report to council through consolidated report by the audit committee
- (v) The committee will function based on the developed Terms of reference
- (vi) Meetings-The risk management committee will meet at least on a quarterly basis and also consider special meetings where there is a need

Functions and responsibilities of the risk management committee include:

1. Establishment and monitoring of the implementation of the risk management strategy;
2. Ensuring that the responsibilities and co-ordination of risk management are clear;
3. Advising the Council and Municipal Manager on urgent risk management issues and required initiatives as part of its quarterly reporting process;
4. Overseeing the implementation and maintenance of the ongoing process of risk identification, quantification, analysis and monitoring throughout the Municipality;
5. Ensuring that the risk management induction, training and education programs are targeted appropriately for all levels of personnel and that it is established and implemented;
6. Reviewing and recommending actions for improvement regarding outstanding actions on risk management plans;
7. Evaluating the risk profile of the Municipality as well as for major projects and new ventures, requiring the approval of the Council;
8. Reviewing issues for consideration as identified by the Council and Risk Committee;

9. Assist with the development of an integrated approach to financing and managing risk to minimise cost;
10. Facilitating the sharing of post loss analysis information and thereby improving prevention and control measures;
11. Reviewing the risk assessments on a quarterly basis to take note of the material risks to which the Municipality may be exposed and consider, notes and if necessary, comments on the strategy for managing those risks;
12. Considering, notes and if necessary, comments on management responses to significant risks; and
13. Keeping abreast of all changes to the risk management and control system and ensures that the risk profile and common understanding is updated, as appropriate.

A.2 Roles and responsibilities of Management

Management is accountable to the Municipal Manager for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the Municipality.

The Municipal Manager is responsible for appointing Chief Risk Officer to assist management in discharging its responsibilities.

This could however be a delegated function.

More specifically Management is responsible for:

Designing an ERM programme in conjunction with the RO

1. Deciding on the manner in which risk mitigation will be embedded into management processes;

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2. Inculcating a culture of risk management in the Municipality;
3. Providing risk registers and risk management reports to the Risk Officer pertaining to risk and control;
4. Identifying positive aspects of risk that could evolve into potential opportunities for the Municipality;
5. Assigning a Manager to every key risk for appropriate mitigating action and to determine an action date;
6. Viewing risk as an opportunity by applying the risk / reward principle in all decisions impacting upon the Municipality;
7. Utilizing available resources to compile, develop and implement plans, procedures and controls within the framework of the Municipality's ERM Policy to effectively manage the risks within the Municipality;
8. Ensuring that adequate and cost-effective risk management structures are in place;
9. Identifying, evaluating and measuring risks and where possible quantifying and linking each identified risk to key performance measurement indicators.
10. Developing and implementing risk management plans including:
 - Actions to optimize a risk / reward profile to maximize reward with risk contained within the Council and Municipal Manager's approved risk tolerance.
 - Implementation of cost-effective preventative and contingent control measures; and
 - Implementation of procedures to ensure adherence to legal and regulatory requirements.
11. Monitoring of the ERM processes on both a detailed and macro basis by evaluating changes, or potential changes to risk profiles.

12. Implementing and maintaining adequate internal controls and monitor their continued effectiveness.
13. Implementing those measures as recommended by the internal / external auditors, which, in their opinion, will enhance control at reasonable cost; and
14. Reporting to the Risk Committee on the risk process and resultant risk / reward profiles.

A.3 Risk Management Coordinators

Responsibilities of the Risk Management Coordinators include amongst others:

1. Each department is expected to have one employee as a risk champion with the skills, knowledge, leadership qualities and authority to drive risk management efforts within their area.
2. Risk Officer assist the Heads of the section with updating of risk reporting information.
3. Risk Officer will be the key contact of the Manager at each directorate / department.

A.4 (Risk Officer)

The role of the Risk Officer is to develop, communicate, coordinate and monitor the enterprise risk management activities within the Municipality.

the accountability to the Council and Municipal Manager remains with management and effective risk management is the responsibility of every employee. The risk management process does not, however, reside in any one individual or function but requires an inclusive team-based approach for effective application across the Municipality.

The following are the responsibilities of the Risk Officer:

1. Assists the Risk Committee to fulfill its responsibilities in terms of its charter;

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2. Communicates with the Risk Committee regarding the status of enterprise risk management;
3. Takes overall responsibility for the common risk framework and coordinates the risk management activities across the Municipality;
4. Proposes on a methodology and framework for ERM for approval by the Council and Municipal Manager;
5. Undertakes a gap analysis of the Municipality's ERM process;
6. Performs reviews of the risk management process to improve the existing process;
7. Facilitates quarterly risk management assessments and risk assessments for all major changes and incidents, such as accidents, purchases of capital equipment, restructuring of operational processes etc;
8. Develops systems to facilitate risk monitoring and risk improvement;
9. Ensures that all risk categories are included in the assessment;
10. Ensures that key risk indicators are included in the risk register;
11. Aligns the risk identification process with the Municipality's strategic objectives and integrated development plan;
12. Agrees on a system of risk quantification;
13. Compiles a consolidated risk register on a quarterly basis;
14. Formally reviews the occupational health, safety and environmental policies and practices;
15. Creates mechanisms for identifying nodes of change;
16. Consolidates all information pertaining to all risk related functions, processes and activities;

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17. Provides input into the development and implementation of business continuity management plans;
18. Transfers the knowledge in respect of an effective and sustainable process of risk identification, quantification and monitoring to management;
19. Records the decisions regarding mitigation for every risk facing the Municipality in the risk register;
20. Liaises closely with the Internal Audit Function to devise a risk auditing programme, based on the information reflected in the risk registers;
21. Benchmarks the performance of the risk management process to the risk management processes adopted by other Municipality's both locally and abroad;
22. Implements a formalised risk information system;
23. Ensures that risk management training is conducted at appropriate levels within the Municipality to inculcate a risk management culture;
24. Communicates the risk strategy to all management levels and to employees; and
25. Ensures that the necessary risk management documentation is developed in respect of the risk management process.

9. APPROVAL AND EFFECTIVE DATE OF THE POLICY

This policy shall come into effect immediately upon approval by Council of the Mbhashe Local Municipality. This policy is expected to be reviewed on an annually basis and the inputs in terms of the changes will only be implemented after approval by council of municipality

10. POLICY GOVERNANCE

Risk Management Policy

Policy Governance

Policy Title	Risk Management Policy	
Policy Version	2019/20	
<u>Role & Process</u>	<u>Responsible Individual Name and/or Date</u>	<u>Responsibility Accepted Signature</u>
Senior Manager Operations		
Policy Custodian		
Policy Author		
Risk Committee Consultation Date		
Risk Committee Consultation Reference		
Council Approval Date		
Council Approval Reference		
(UNIT) e.g. Chief Risk Officer		
Policy Approved		
Policy Inception Date		
Review Start Date		
Review Completion Date		
Legislative References		
Policy Review "Triggers"		
Comments		

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11. MBHASHE ASSESSMENT TABLE FOR RISK MANAGEMENT

Factors used in strategic risk analysis				
Each risk is evaluated in terms of potential impact, likelihood of occurrence and the perceived effectiveness of controls in place to manage the risks according to the criteria set out below:				
Potential impact				
Impact factor	Continuity of supply	Safety and environmental	Technical complexity	Financial
Catastrophic	Risk event will result in widespread and lengthy reduction in continuity of supply to customers of greater than 48 hours	Major environmental damage	Use of unproven technology for critical system / project components	Significant cost overruns of >20% over budget.
100		Serious injury (permanent disability) or death of personnel or members of the public Major negative media coverage	High level of technical interdependencies between system / project components	Affect on revenue / asset base of >10%.
Critical	Reduction in supply or disruption for a period ranging between 24 & 48 hours over a significant area	Significant injury of personnel or public	Use of new technology not previously utilised by the entity for critical systems / project components	Major cost overruns of between 10 % & 20 % over budget
70		Significant environmental damage		Affect on revenue / asset base of between 5% & 10%
Serious	Reduction in supply or disruption for a period between 8 & 24 hours over a regional area	Lower level environmental, safety or health impacts.	Use of unproven or emerging technology for critical systems / project components	Moderate impact on revenue and assets base
50		Negative media coverage		

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Significant	Brief local inconvenience (work around possible)	Little environmental, safety or health impacts	Use of unproven or emerging technology for systems / project components	Minor impact on revenue and assets base
30	Loss of an asset with minor impact on operations	Limited negative media coverage		
Minor	No impact on business or core systems	No environmental, safety or health impacts and/or negative media coverage	Use of unproven or emerging technology for non-critical systems / project components	Insignificant financial loss
10				
Likelihood				
Likelihood factor	Qualification criteria			Rating
Almost certain	The risk is almost certain to occur in the current circumstances. The risk is already occurring, or is likely to occur more than once within the next 12 months.			90%
Likely	More than an even chance of occurring. The risk could easily occur, and is likely to occur at least once within the next 12 months.			65%
Possible	Could occur quite often. There is an above average chance that the risk will occur at least once in the next 3 years.			40%
Unlikely	Small likelihood but could happen. The risk occurs infrequently and is unlikely to occur within the next 3 years.			20%
Rare	Not expected to happen - Event would be a surprise. The risk is conceivable but is only likely to occur in extreme circumstances.			10%
Perceived control effectiveness				
Effectiveness factor	Qualification criteria			Rating
Very Good	Risk exposure is effectively controlled and managed.			90%
Good	Majority of risk exposure is effectively controlled and managed.			80%
Satisfactory	There is room for some improvement.			65%

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Weak	Some of the risk exposure appears to be controlled, but there are major deficiencies.	40%
Unsatisfactory	Control measures are ineffective.	20%
Inherent risk exposure		Residual risk exposure
Inherent risk	Rating	Residual risk
Extreme	³ 30	Priority 1
High	³ 35 < 50	Priority 2
Moderate	³ 25 < 35	Priority 3
Low	³ 15 < 25	Priority 4
Insignificant	³ 15	Priority 5
Action status		
Status	Description	
Behind schedule	The project to implement the control improvement is behind schedule and requires management attention.	
Planned	The project has been planned to implement the control improvement but the start date has not yet commenced.	
In progress	The project to implement the control improvement is progressing as planned.	
Final tests and maintain	The project to implement the control improvement is virtually completed or has been added to current controls in place.	

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