UMZIMVUBU LOCAL MUNICIPALITY

Risk Management Strategy

2021/2022

INDEX

Commented [SBM1]: I suggest you improve the document whilst keeping it at high level but ensuring that the following is covered clearly:
-How the municipality is structured in terms of committees and reporting lines.
-Accountability, roles and responsibilities of all role players across the municipality
-Risk assessment processes, methodology, monitoring activities and risk reporting (including risk management implementation plan)
Combined assurance model as it relates to risk management
-Monitoring of the achievement of the risk management strategy

I will email you NT guide to consider

1. INTRODUCTION AND BACKGROUND

The underlying premise of Enterprise Risk Management (ERM) is that every entity exists to provide value for its stakeholders. All entities face uncertainties and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. This is done through setting risk appetite and tolerances. 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.

Management of every organization, including its executive committees are tasked with a duty to ensure that the organisations processes are functioning properly to ensure achievement of its strategic objectives and alignment to its mission and long-term visions.

To ensure that management of the organizations are better prepared and equipped to manage the aforementioned challenge and attain its mandate of steering an organization to achievement of its strategic objectives, one of managements mandates is to establish and implement Enterprise Risk Management, whose main objective is to manage risks of the organisation to provide reasonable assurance that the organization will materially accomplish its objectives and ensure that government meet its service delivery mandate.

2. RISK MANAGEMENT POLICY STATEMENT

The Accounting Officer has committed Umzimvubu Local Municipality to a process of risk management that is aligned to the principles of good corporate governance, as supported by the Municipal Finance Management Act, No 56 of 2003.

Risk management is recognised as an integral part of responsible management and the institution therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in the municipality's Risk Management Framework. It is expected that all departments/sections, operations and processes will be subject to the risk management framework. 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.

Effective risk management is imperative to the municipality to fulfil its mandate, the service delivery expectations of the public and the performance expectations within the municipality.

The realisation of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardise the direct interest of stakeholder. Sound management of risk will

enable us to anticipate and respond to changes in our service delivery environment, as well as make 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, which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction?

An entity-wide approach to risk management will be adopted by the municipality, which means that every key risk in each part of the municipality will be included in a structured and systematic process of risk management. It is expected that the risk management process 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 municipality'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.

3. PURPOSE

The overall purpose of the enterprise risk management strategy and framework is to provide a framework within which management can operate to enforce the pro-active Enterprise Risk Management process and to inculcate the risk management culture through the municipality and to further ensure that the risk management efforts of the municipality are optimised. It describes the municipality's Enterprise Risk Management processes and sets out the requirements for management in generating risk management action, together with furthering risk management assurance. This document further sets out the municipality's policy on the management of risk at all levels of the organisation.

The purpose of this strategy document is to provide a risk management framework and guidelines to   be followed within the Umzimvubu Local Municipality.

The objectives of this risk management strategy are to:

i)   Provide a level of assurance that current significant risks are effectively managed.

ii)   Improved municipality's performance by assisting and improving decision making and planning.

iii)   Promote a more innovative, less risk adverse culture in which the taking of calculated risks in pursuit of opportunities to benefit the organization in encourage

iv)   Provide a sound basis for integrated risk management and internal control as components of good corporate governance.

v)   Establish a culture of risk management within the municipality.

vi)   Effectively manage specific risks within the municipality such as security and fraud and corruption.

vii)   Ensure that the municipality complies with legislation, policies, and regulatory requirements. viii) Embed risk management into the culture and language of the Umzimvubu Local Municipality.

ix)   Delineate boundaries regarding risk management within the Umzimvubu Local Municipality.

x)   Comply with appropriate Corporate Risk Management practice in terms of corporate governance guidelines, MFMA legislative provisions and generally accepted risk management frameworks such as COSO.

4.   DEFINITIONS

TERMS	DEFINITIONS
Risk	The chance of something happening or not happening that will have an impact upon the objectives of Umzimvubu Local Municipality and/or individual business units. And /or uncertain future events (threats and opportunities) that could influence the achievement of the goals and objectives of the municipality.
Risk Management	Co-ordinated activities to direct and control the Municipality with regard to risk.
Risk Management Plan	Scheme within the risk management framework specifying the approach, the management components and resources to be applied to the management of risk.
Stakeholder	Person or Municipality that can affect, be affected by, or perceive themselves to be affected by a decision or activity.
Establishing the Context	Defining the external and internal parameters to be taken into account when managing risk, and setting the scope and risk criteria for the risk management policy.
Risk Criteria	Terms of reference against which the significance of a risk is evaluated.

	Note 1: Risk criteria are based on Municipal objectives, and external and internal context. Note 2: Risk criteria can be derived from standards, laws, policies and other requirements.
Risk Assessment	Overall process of risk identification, risk analysis and risk evaluation.
Key Risks	Identifying risks which the Municipality perceives to be its most significant risks.
Risk owner	Person or entity with the accountability and authority to manage a risk. The Municipal Manager, and Head of Departments
Risk Analysis	Process to comprehend the nature of risk and to determine the level of risk. Note 1: Risk analysis provides the basis for risk evaluation and decisions about risk treatment. Note 2: Risk analysis includes risk estimation
Likelihood/ Probability	Chance of something happening. Note 1: In risk management terminology, the word "likelihood" is used to refer to the chance of something happening, whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically [such as a probability or a frequency over a given time period.
Inherent Risk	The product of the impact of the risk on the objective and the likelihood of the risk occurring, should no management actions/controls be in place to mitigate the risk
Exposure	Extent to which the Municipality and/or stakeholder is subject to an event.
Consequence/ impact/ severity	Outcome of an event affecting objectives. Note 1: An event can lead to a range of consequences. Note 2: A consequence can be certain or uncertain and can have positive or negative effects on objectives.
Risk Tolerance	Municipality's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives. Note 1: Risk tolerance can be influenced by legal or regulatory requirements.
Risk appetite	Amount and type of risk that the Municipality is willing to pursue or retain
Risk treatment	Process of selection and implementation of measures to modify risk. Note 1: Risk treatment can involve:

	• avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
	• taking or increasing risk in order to pursue an opportunity;
	• removing the risk source;
	• changing the likelihood;
	• changing the consequences;
	• sharing the risk with another party or parties [including contracts and risk financing;
	• Retaining the risk by informed decision.
Action plans	Tasks/projects that management commit to implementing, after identifying unacceptable risk exposures, in order to return the exposure to within acceptable parameters. Each action plan must have a due date and a resource allocated.
Risk monitoring	Continual checking, supervising, critically observing or determining the status of risks in order to identify change from the performance level required or expected.
	Note 1: Monitoring can be applied to a risk management framework, risk management process, risk or control.
Risk register	Record of information about identified risks.
	Note 1: The term risk log" is sometimes used instead of «risk register».
Risk profile	Description of any set of risks.
	Note 1: The set of risks can contain those that relate to the whole Municipality, part of the Municipality, or as otherwise defined.

5.   ACRONYMS

AO	Accounting Officer
ULM	Umzimvubu Local Municipality
MFMA	Municipal Finance Management Act
AC	Audit Committee
RMC	Risk Management Committee
IA	Internal Audit

COSO	Committee of Sponsoring Organization of the Treadway Commission

6. SCOPE

This strategy document applies to all personnel within the Umzimvubu Local Municipality.

7. LEGISLATIVE REQUIREMENTS

The Municipal Finance Management Act stipulates in section 62 (1) (c) that:

"The Accounting of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality 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 standard"

The extension of the general responsibilities, in terms of section 78 of 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 beyond the roles of the Accounting Officer; Internal Audit units and the Audit Committee in this regard.

The King Report on Corporate Governance also reflects on risk management as an integral part of strategic and operational activities. King 4 Report states "the governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives".

Standard 2120 of the International Standards for the Professional Practice of Internal Auditing which states that; internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management process.

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

8.   BENEFITS OF RISK MANAGEMENT

The international trend of recognised risk management approach today is to identify, assess, re-assess and establish fall-back. This encourages the assignment of risks to individuals and personal ownership and management of a risk with its specific consequences and mitigations. The benefit of involving all individuals within an organization into the risk management process is to improve effectiveness and overall quantity and quality of operational information flowing through the organisation, its management and executive authority.

The gains obtained from an effective risk management process depend very much on the organization itself as issues vary from one organization to the other.

The benefits of risk management to Umzimvubu Local Municipality encompasses:

- **Aligning risk appetite and strategy**- Management considers their risk appetite in evaluating strategic alternatives, setting, related objectives and developing mechanisms to manage related risks.
- **Enhancing risk response decisions**- Municipality' Risk Management provides the rigour for management to identify alternative risk responses risk avoidance, reduction, sharing and acceptance.
- **Reducing operational surprises and losses**- Umzimvubu Local Municipality faces a myriad of risks affecting different parts of the Organization and Municipality risk Management facilitates effective responses to the interrelated impacts and enhances an integrated response to multiple risks. Seizing opportunities- by considering a full range of potential events, management is positioned to identity and proactively realize opportunities.
- **Improving deployment of capital-** obtaining robust risk information allows management to effectively assess overall funding requirements and enhance allocation.
- **Ensuring compliance with laws and regulation**- Municipality risk management contributes to effective reporting and monitoring of damage to Umzimvubu Local Municipality's reputation and associated consequences.
- **Increasing probability of achieving objectives**- Municipality's risk management achieve Umzimvubu Local Municipality's performance and financial targets and assist with the prevention of loss resources. Control and risk interventions will be chosen on the basis that they increase the likelihood that Umzimvubu Local Municipality will fulfil its intentions/commitments to its stakeholders.
- Every employee of Umzimvubu Local Municipality has a part to play in municipality risk management.

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9. RISK GOVERNANCE AND OVERSIGHT

9.1 Council

Council is the custodian of risk management process, define strategic objectives. This governance structure has a responsibility to ensure that properly established and functioning systems of risk management are in place to protect the municipality against significant risks.

9.2 Audit Committee

The Audit Committee is an independent committee responsible for oversight of the department'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. The Committee is responsible for providing the Municipal Manager with independent counsel, advice and direction in respect of risk management. The stakeholders rely on the Committee for an independent and objective view of the Municipality's risks and effectiveness of the risk management processes. In this way, the Committee provides valuable assurance that stakeholder interests are protected.

9.3 Risk Management Committee

The Committee is responsible for engaging on strategic risk issues of risk management, evaluating and monitoring the Municipality's performance with regards to risk management. The role of the Committee is to formulate, promote and review the Municipality's ERM objectives, strategy and policy and monitor the process at strategic, management and operational levels.
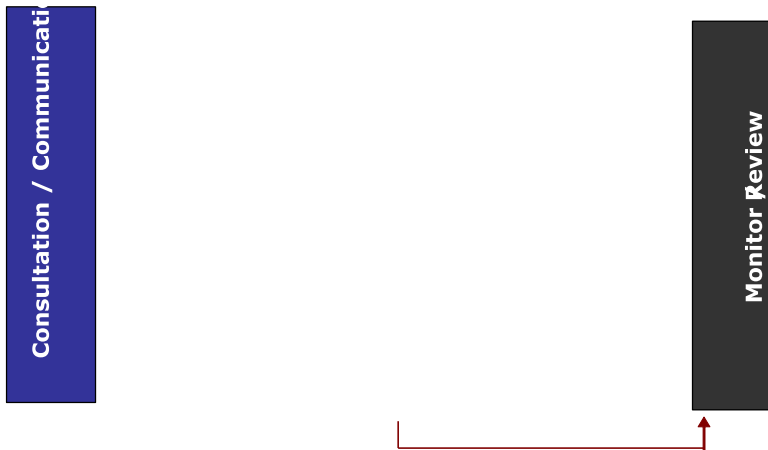
10. RISK MANAGEMENT PROCESS

10.1 Risk Assessment

Once a year, the Municipality will undertake a thorough assessment of its risks at all levels Strategic level, Programs level, Projects level/Department and Process Level/Unit using the following methodology:

A risk assessment is the process by which the risks to be managed in the Municipality are identified. Comprehensive identification using a well-structured systematic process is critical, because risks not identified are never further analysed and thus leading to major catastrophic events or surprises.

Consultation / Communicati

Monitor Review

The Enterprise Risk Management Process – ISO 31000:2009

There are many different processes and methodologies in use by which risks can be identified

i.e. risk workshops, interviews, questionnaires and surveys, research, control and risk assessments.

At a minimum a risk assessment should result in:

- Identification of relevant risks towards the achievement of objectives; and

- The prioritization of risks, which often necessitates estimating the timing, magnitude and probability of risk occurrence.

The first part of carrying out a structured risk assessment is to profile the key building blocks of the Municipality. This will highlight dependencies, critical parts of the business and start to pinpoint vulnerabilities.

9.2 Monitoring and review

- Any risk profile will change over time. Risk treatment plans that were once effective may become irrelevant, control activities may become less effective, or no longer be performed, business objectives may change or regulatory requirements may change**.**

- This can be due to the arrival of new personnel, changes in the business structure or direction, the introduction of new systems and processes or developments in the external environment.

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- In the face of such changes, management needs to continually monitor the effective functioning of the risk management process. This monitoring should occur in the normal course of management activities.

The following monitoring mechanisms should be implemented:

a) Monitoring of implementation of risk treatment plans.

- Action plans to develop and implement risk treatment plans need to be monitored to ensure that the necessary plans are implemented on schedule and as intended.

- This monitoring process should be embedded with the normal day to day monitoring processes already in place within the business e.g. department meetings, management meetings, EXCO meetings etc.

- Internal Audit will also evaluate the status of action plans for significant risk exposures as part of their routine audits.

b) Monitoring of on-going effectiveness of risk treatment controls

- The effective operation of risk treatment controls must be evaluated on an on-going basis.

- Each functional area within the business will need to develop its own plans as to the frequency and scope of these reviews taking into account, inter alia, legal and regulatory requirements. These reviews may include management reviews, self-assessment reviews and third party reviews as appropriate. Internal Audit will also perform independent reviews of selected risk treatment controls.

c) Identification and assessment of new/ emerging risks

- There is a need to regularly review risk registers to ensure that they remain relevant and complete. This applies to strategic, functional/ departmental and process level risk registers.

- It is a group requirement that this review is formally done at least twice annually across all areas of the business. However, the occurrence of any one or more of the following events should trigger the need for an immediate review:

1. Changes in business strategy

2. Legal and regulatory changes

3. Restructuring of the business or departments or processes or major changes to people, processes and technology

4. Loss of key personnel

5. Significant control deficiencies identified by internal and/ or external auditors

6. Incidences of fraud

7. Legal liabilities and challenges

8. Changes to business objectives

9. Changes to key performance indicators

d) *Monitoring of the effectiveness of the risk management process as a whole*

- The efficacy of the entire risk management process needs to be reviewed on a periodic basis.

- The Internal Audit department will be responsible for performing such review and providing assurance that the risk management process has been applied appropriately across the organization and that all elements of the process are suitable and sufficient.

e) *Risk reporting*

- The essence of risk reporting is that the right people must receive the right information at the right time.

- Risks at all levels must be reported internally (formally and informally) at different levels within the municipality. The municipality will need to develop its own reporting framework taking into account existing management reporting processes and legal and regulatory requirements.

f) *Control requirements*

 Every risk will have a number of controls, mitigations or interventions that have been designed to contain the potential impact or likelihood of the risk. These controls need to be identified and evaluated. They will form the basis of an assurance plan to the Council and Municipal Manager, and may be tested by the Internal Audit process or other independent means of evaluation.

g) **Governance requirements**

Establish an organisational framework of assurance for key risks and controls.

1) A framework of assurance must be developed for your risks. Key players in the Municipality will combine to provide assurance to the Council and Municipal Manager that risks are being appropriately managed.

2) This combined approach to assurance normally involves external auditors, internal auditors and management working together through the audit/ risk committee.

3) Other experts should be chosen to provide assurance regarding specialised categories of risk, such as environment management. The assurance framework must be formalised and should incorporate appropriate reporting processes.

10.3 Development of risk register

As part of good governance, the municipality manages and maintains a register of its key strategic and operational business risks - assigning named individuals as responsible officers for ensuring the risks and their treatment measures are monitored and effectively managed.

The risk register is a critical tool for the service in capturing and reporting on risk activity and the Municipality's risk profile. The risk register is a live database where new risks are captured, others are managed to extinction and some require close and regular monitoring.

The data within the register is used to inform the business of the threats it faces in delivering outcomes and services to the communities. It is part of the municipality internal governance and performance frameworks and is used to ensure the Municipality operates effectively.

11. COMBINED ASSURANCE

The municipality will use combined assurance model and principles in managing the risks across the organization as follows:

The Three Lines of Defence

King IV defines combined assurance as follows: Integrating and aligning assurance processes in an organisation to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the audit and risk committee, considering the company's risk appetite.
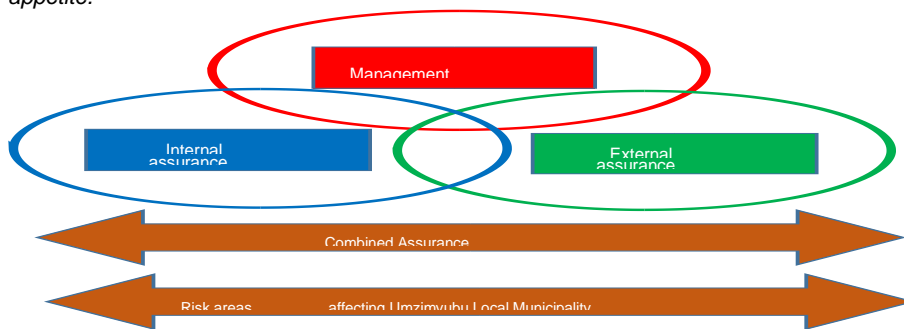
1ˢᵗ Line of Defence.

The Municipal Manager, supported by Management (MANCO) has an overall responsibility for the management of risks facing the Executive Management and staff within each business unit. Take ownership for the identification, assessment, and management, monitoring and reporting of enterprise risks arising within their areas of responsibility**.**

2ⁿᵈ Line of Defence

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Comprises of three offensive/ defensive lines being Executive Management, supported by the Finance, Legal and Human Resources. These functions provide support (technical or otherwise) and advice to the management at MANCO level and Business Units. Risk Function recommends risk policies for EXCO approval, provide objective oversight and co-ordinate ERM activities in conjunction with other specialist risk related functions. The Risk Function is not accountable for the day-to-day management of financial and non-financial risks.

3rd Line of Defence

It provides three offensive/defensive line being Internal Audit, External Audit and Council Committees. They provide independent objective assurance on the effectiveness of the management of enterprise risks across the enterprise. This is provided to the Umzimvubu Local Municipality EXCO through the Internal Audit function and External Audit, which are supported by the Audit and Risk Management Committees existing at Business Level.

12. PRINCIPLES OF RISK MANAGEMENT

- The principles contained in this strategy will be applied at both strategic and operational levels within the municipality. The following principles have been identified to ensure the risk management vision of the municipality is achieved.

    - ✓ Risk management is part of everyday management
    - ✓ Everyone is a risk manager
    - ✓ Risk sharing (risk awareness); and
    - ✓ Risk cannot always be eliminated. Some risks should be managed.

- Umzimvubu Local Municipality's risk management strategy will be applied to all operational aspects of the municipality and will consider external strategy risks arising from or related to our partners in projects; government departments, the public and other external stakeholders, as well as wholly internal risks.

- 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 capitalizing on strategic strengths.

- All risk management activities will be aligned to the Umzimvubu Local Municipality's values and principles, objectives and organizational priorities and aims to protect and enhance the reputation and standing of the municipality.

- Our risk management approach will inform and direct our work to gain confidence on the reliability of our risk strategies and therefore provide assurance. Managers and staff at all levels will have a responsibility to identify, evaluate and mange or report risks, and will be equipped to do so.

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- Risk management in the municipality should be proactive and reasoned. Strategic and operational risk should be identified, objectively assessed and where this is the appropriate, response actively managed.

- The aim is to anticipate and where possible, prevent risk resulting in unwanted events rather than dealing with their consequences. However, for some risk where the likelihood of 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.

- In determining appropriate risk management controls, cost of control/ risk management, the impact of risk occurring will be balanced with the benefit 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

- We also recognize that some risks can be managed by transferring them to a third part, for example by insurance. In the current climate it is rare to effectively/ fully transfer risks by contracted arrangements

- The underlying premise of Enterprise Risk Management 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 how much risk and opportunity with the potential to erode or enhance value.

- Enterprise Risk Management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.

- Value is maximized 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.

13. ACCOUNTABILITY, ROLES AND RESPONSIBILITIES

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

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- The structures through which risk management will be reported are set out bellow. Detailed guidelines on roles and responsibilities are provided in **appendix A.**

13.1   Committee Responsibilities

Ref	Activity	Responsibility	Frequency
1.	The Council has an oversight role over the institution's portfolio view of risk and considers it against the risk tolerance of a municipality. Approve the risk management policy, strategy and risk implementation plan; and approve the fraud prevention policy, strategy and implementation plan Council shall assist the Municipal Manager to deal with fiscal, intergovernmental, political and other risks beyond his direct control and influence.	Council	Quarterly and Annually
2.	• The Audit Committee advise Municipal Council on approval of risk appetite • Advise on design and approval of Risk Management Plan, Risk Management strategy. • Report to MC and MM on effectiveness of combined assurance • Measure and report to MC and MM overall exposure to fraud and corruption, and instances where actual risk > risk appetite • Make recommendations to MM regarding unacceptable levels of risk and control	Audit Committee	Quarterly
3.	The Risk Management Committee will review risk management progress on a quarterly basis.	Municipal Manger	Quarterly
4.	The department / divisions management committees will meet on a monthly basis.	HODs and Sectional managers	Monthly

13.2   Reporting Responsibilities

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Ref	Activity	Responsibility	Frequency
1.	Disclose in the annual report that risk assessment, management and intervention are effective. Emerging risks identified assessed and managed	Council	Quarterly and Annually
2.	The Audit Committee will include statements regarding risk management performance in the quarterly report to stakeholders'	Committee chairperson	Quarterly
2.	The Risk Management Committee will submit a risk management report to the Audit Committee on a quarterly basis. The report will focus on the following: ▪ The top strategic risks facing ULM (All unacceptable residual risk exposures) ▪ The strategic risks per department/division (approximately top 5 identified risks); and ▪ Any risk developments (changes) / incidents/ losses ▪ Provide regular reports to municipal manager on state of risk management ▪ Provide information on risk exposures to the AC	Municipal Manager	Quarterly
3.	Each department / division will draft a risk management report for submission to the Risk Management Committee on a quarterly basis. This will focus on the following: ▪ The strategic risk per department/ division (approximately top 5 identified risks); and ▪ Any risk developments (changes) incidents/losses	Managers and Assistant Managers.	Quarterly

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4.	The Risk Officer will be responsible for developing standard risk management reporting templates, and collate risk management information for submission at all levels.	Risk officer	As scheduled

13.3   Risk Assessment Responsibilities

Ref	Activity	Responsibility	frequency
1.	The council will independently review the key risks of ULM at least once a year.	Mayor	Annually
2 .	The Risk Management Committee will arrange for ULM'S key risks to be formally re-evaluated once a year.	Municipal Manager	Annually
3.	Each department/ division Management Committee will formally reassess the top 20 risks annually (in their environment) and report on the top 10 risks.	Managers and Sectional managers	Annually
4.	The Internal Audit Unit and Risk Officer will be responsible for the facilitation of all risk assessments; and populating the risk registers.	Assistant Manager: Internal Audit & Risk Officer	As scheduled

13.4   Control Responsibilities

Ref	Activity	Responsibility	frequency

1.	The Audit Committee will consider Internal Audit and management's report concerning the effectiveness of internal controls at least once a year.	Audit Committee	Annually
2.	The Risk Management Committee will report to the Audit Committee regarding the performance of internal controls for those risks in the registers.	Municipal Manager	Quarterly
3.	The departments/ divisions will report to the Risk Management Committee regarding the performance of internal controls for those risks in the operational risk registers.	HODs and Sectional managers	Quarterly
4.	All risk registers will contain action plans for improving risk controls and risk interventions. Each committee will review progress made with those action plans.	Risk Management Officer	As scheduled

13.5 Governance Responsibilities

Ref	Activity	Responsibility	Frequency
1.	Each key risk will have a nominated risk owner, who will be responsible for the following: ▪ Updating the risk information ▪ Providing assurance regarding the risk's control ▪ Co-ordinate the implementation of action plans for the risk; ▪ Reporting on any developments regarding the risk.	All Managers	As schedule

| 2. | The internal audit function will use the outputs of risk assessments to compile its strategic three year rolling and annual internal audit coverage plan, and will evaluate the effectiveness of risk controls. | Internal Audit | Annually and as scheduled |
| 3. | The Internal Audit function will review the effectiveness of ULM's risk management processes while executing their plan and submit their report to the Audit Committee for consideration. Internal Audit will also submit an updated summary of their findings for the whole year and submit to the Audit Committee. | Internal Audit | Annually and as scheduled |

13.6 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 to day-to-day activities of the Municipality.

- More specifically Management is responsible for:

a) Designing an Enterprise Risk Management programme in conjunction with Risk Management Officer

b) Deciding on the manner in which risk mitigation will be embedded into management processes;

c) Inculcating a culture of risk management in the municipality;

d) Providing risk registers and risk management reports to the Risk Management Officer pertaining to risk and control;

e) Identifying positive aspects of risk that could evolve into potential opportunities for the municipality;

f) Assigning a Champion to every key risk for appropriate mitigating action and to determine an action date;

g) Viewing risk as an opportunity by applying the risk/ reward principle in all decisions impacting upon the municipality;

h) Utilising 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;

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i) Ensuring that adequate and cost effective risk management structures are in place;

j) Identifying; evaluating and measuring risks and where possible quantifying and linking each identified risk to key performance measurement indicators;

k) Developing and implementing risk management plans including;

l) Actions to optimise a risk / reward profile to maximise reward with risk contained within the council and Municipal Manager's approved risk tolerance;

m) Implementation of cost effective preventative and contingent control measures; and

n) Implementation of procedures to ensure adherence to legal regulatory requirements.

- Monitoring of the ERM processes on both a detailed and macro basis by evaluating changes, or potential changes to risk profiles;

- Implementing and maintaining adequate internal controls and monitor their continued effectiveness;

- Implementing those measures as recommended by the internal/ external auditors, which, in their opinion, will enhance control at a reasonable cost.

13.7 Risk Management Champions

- Responsibilities of the Risk Management Champions include among others;

    a) The Risk Management Champions will assist the Internal Audit Unit with updating of risk reporting information; and

    b) The Risk Management Champions will be the key contact of Risk Managers at each department / division.

    c) Support management with the implementation of risk management processes;

    d) They are not the risk owners.

13.8 Risk Management Officer

- The role of the Risk Management in Risk Management is to develop, communicate, coordinate and monitor the enterprise-wide risk management activities within the municipality.

- Although management has delegated the function to Internal Audit to assist in the execution of the risk management process; 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.

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- The following are the responsibilities of the Risk Management in Risk Management:
  a) Assist the Audit Committee an Risk Committee to fulfil its responsibilities in terms of its Charter;
  b) Communicate with the Audit Committee and Risk Committee regarding the status of enterprise wide risk management;
  c) Takes overall responsibility for the common risk framework and coordinates the risk management activities across the municipality;
  d) Proposes on a methodology and framework for ERM for approval by the council and Risk Management Committee;
  e) Undertakes a gap analysis of the Municipality's ERM process;
  f) Performs review of the Risk Management Process to improve existing process;
  g) Facilitates risk management assessments and risk assessments for all major changes and incidents; such as accidents, purchase of capital equipment, restructuring of operational processes etc.;
  h) Develops systems to facilitate risk monitoring and risk improvement;
  i) Ensures that all risk categories are included in the assessment;
  j) Ensures that key risk indicators are included in the risk register;
  k) Align the risk identified process with the municipality's strategic objectives and integrated development plan;
  l) Agrees on system of risk quantification;
  m) Complies a consolidated risk register on a quarterly basis;
  n) Formally reviews the occupational health; safety and environmental policies and practices;
  o) Consolidates all information pertaining to all risk functions, processes and activities;
  p) Provides input into the development and implementation of business continuity management plans;
  q) Transfers the knowledge in respect of an effective and sustainable process of risk identification, quantification and monitoring to management;
  r) Records the decisions regarding mitigation for every risk facing the municipality in the risk registers;
  s) Benchmarks the performance of the risk management process to the risk management processes adopted by other municipality's both locally and abroad;
  t) Implements a formalised risk information system;
  u) Ensures that risk management training is conducted at appropriate levels within the municipality to inculcate a risk management culture;
  v) Communicates the risk strategy to all management levels and to employees; and
  w) Ensures that the necessary risk management documentation is developed in respect of the risk management process.

13.9 All Employees

Must be aware of and understand the risks associated with their actions and comply with the policies standards, supporting guidance and procedures.
Must ensure the identification of new risks to their area of accountability and responsibility to manage and/or escalate to management those risks as appropriate.
To report significant risk matters, including deficiencies in policies and procedures to their management and/or in exceptional circumstances to use the Whistle-blowing process
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14. MATURITY

Umzimvubu Local Municipality and is on a risk management journey. Risk maturity refers to where the business is on that journey and how well established risk management is as a discipline across the municipality. Maturity modelling is a valuable tool, enabling us to benchmark our current risk management capability and help us direct our resources to areas that need improvement and further development. Modelling allows us to set long term plans for the service and track our position through the journey. We measure maturity and compare ourselves against the National Treasury on an annual basis.

15. RESOURCES

Recognition from Executive Management of the importance of risk management to the effective operation of the municipality is resonated through the appropriate allocation of resources to deliver the function across Umzimvubu Local Municipality**.**

There is a central risk management team led by the Internal Audit Manager who are supported by a chain of risk management champions and risk register power users across each area of the municipality.

The primary role of the ERM Team is to set the risk management framework and direct how it should be applied, providing training, guidance and support to embed the risk management principles across the business.

The ERM Team has an operating budget for risk management to aid service delivery and has access and support from both senior management and members.

14. CONCLUSION

Risk management is a great management tool to manage the reality of having to face uncertainties whilst conducting business and to devise a mechanism to anticipate these uncertainties in order to pro-actively implement management strategies that will ensure non-distribution of business operation and thereby ensure service delivery, achievement of organization strategic objectives, reduction of corruption activities, unethical behaviours and other activities contravening the corporate governance guidelines. Risk management provides management in making risk conscious decisions for the benefit of the organization.
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POLICY APPOVAL AND ADOPTION

Umzimvubu Local Municipality Risk Management Strategy

This strategy shall be considered and approved by the Council of Umzimvubu Local Municipality.