METSIMAHOLO LOCAL MUNICIPALITY

ENTERPRISE

RISK MANAGEMENT POLICY

2025/2026

1. Introduction

The Accounting Officer has committed Metsimaholo Local Municipality (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.

Metsimaholo Local Municipality places high importance on positioning risk management as a central part of service delivery improvement. Such importance is further emphasized with the various legislative instruments which make up the legal framework for risk management in the Public Sector.

2. Purpose and Objective(s) of the Policy

The purpose of this policy is to articulate Metsimaholo Local Municipality's risk management philosophy. Metsimaholo Local Municipality recognizes that, risk management is a systematic, and formalized process to identify, assess, manage, and monitor risks, and therefore adopts an Enterprise-Wide Risk Management approach.

The key objectives of this Enterprise Risk Management Policy are to assist Management in making informed decisions that will:

- Guide the establishment of an enterprise-wide risk management system and processes within the MLM;
- Guide the establishment of appropriate institutional arrangements to support effective implementation of the MLM's risk management system;
- Promote a uniform risk management approach within the MLM;
- Promote compliance with all relevant Local Government legislation, regulations, norms and standards;
- Promote awareness of risk management functions throughout the MLM; and
- Facilitate monitoring and evaluation of risk management practices within the MLM.

3. Scope of the Policy

This policy applies to all employees including fixed term workers, interns, etc. throughout the MLM in as far as risk management is concerned. All Directorate's and Business Unit's Day to day operations within the MLM are therefore subjected to the ERM processes and are compelled to promote a municipal philosophy and culture that says everybody is a risk manager.

4. Policy Statement

The realization of our strategic 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 make informed decisions under conditions of uncertainty.

Metsimaholo Local Municipality subscribes to the fundamental principles that all resources will be applied economically to ensure:

- The highest standards of service delivery;
- Enhancement of the overall institutional performance of the organization;
- Pro-active measures to protect the MLM, its people and assets;
- The continued ability of the MLM to provide appropriate, reliable, cost effective and quality service delivery;
- A management system containing the appropriate elements aimed at minimizing 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, that promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

An entity-wide approach to risk management is 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 risks remain current and dynamic. All risk management efforts will be focused on supporting the MLM objectives. Equally, they must ensure compliance with relevant legislation, and fulfill the expectations of employees, communities and other stakeholders in terms of corporate governance.

5. Legal Mandate

Section 62 and 95 (1)(c)(i) of the MFMA no. 56 of 2003 which requires the Accounting Officers to ensure that their municipalities and municipal entities have and maintain effective, efficient and transparent systems of risk management;

Section 78 of the MFMA stipulates that all Top Management, is a cornerstone in the institutionalisation 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 unit or the Audit Committee in this regard.

6. Risk and Risk Management

Risk Management is a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on the Municipality's service delivery capacity.

Risk refers to an unwanted outcome, actual or potential, to the Municipality's service delivery and other performance objectives, caused by the presence of risk factor(s) or the possibility of an event occurring that will have an impact on the achievement of objectives (Risk is measured in terms of impact and likelihood).

Enterprise Risk Management is a systematic and formalized process instituted by the MLM to identify, assess, manage and monitor risks. Risk Management is proactive rather than reactive. It is a pro-active management function aimed at protecting the MLM, its people and its assets against various negative consequences.

Risk refers to an unwanted outcome, actual or potential, to the Institution's service delivery, and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present upside potential (risk against reward), which Management must be aware of, and be prepared to exploit for the achievement of Institution's objectives. Such opportunities are encompassed in this definition of risk.

7. Benefits of Risk Management

Metsimaholo implements, and maintains an effective, efficient, and transparent systems of risk management, and internal control. Risk management will assist the Institution to achieve, among other things, the following below mentioned outcomes needed to underpin, and enhance Institutional performance:

- increasing probability of achieving organizational objectives within budget and in time;
- more sustainable, and reliable delivery of services;
- informed decisions underpinned by rigour analysis;
- innovation;
- prevention of fraud, maladministration and corruption;
- better value for money through efficient use of resources;
- ensuring compliance with laws and regulations; and
- better outputs and outcomes through improved project and programme management.

8. Risk Management Approach

The realization of our strategic plan depends on us being able to undertake quantified risks in a way that does not jeopardize the direct interests of our stakeholders. Sound management of risk will enable us to anticipate, and respond to changes in our service delivery environment, as well as make informed business decisions under conditions of uncertainty and/or volatility.

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 minimizing risks, maximizing opportunities arising from quantification of risk (risk vs. reward) and costs in the interest of all stakeholders;
- educating, and training of staff members, to ensure continuous improvement in knowledge, skills, and capabilities which facilitate consistent conformance to stakeholder's expectations; and
- maintaining an environment which promotes the right attitude, culture, and sensitivity towards internal, and external stakeholder satisfaction.

An entity-wide approach to risk management is adopted by Metsimaholo, which means that, every key risk in each part of the business unit, is included in a structured and systematic process of risk management. It is expected that, the risk management processes is embedded onto each business unit's control systems and processes, ensuring that our responses to risks remains relevant, efficient and dynamic.

Managers and staff at all levels will have the responsibility to identify, evaluate, manage and report risks.

This policy should be read in conjunction with the Risk Management Framework and annual Risk Management Implementation Plan which provides the guidelines for implementation.

9. Role players

Every employee is responsible for executing risk management processes in their daily business activities and adhering to risk management procedures laid down by the business unit's management in their areas of responsibilities, as well as Council.

9.1. Risk Management Oversight

9.1.1 Council

The Executive Authority takes an interest in risk management to the extent necessary to obtain comfort that, properly established, and functioning systems of Enterprise-Wide Risk Management are in place to protect the Institution against significant and emerging risks that, may have been identified.

Council is accountable for the achievement of the goals and objectives of the MLM and its municipal entities. As risk management is an important tool to support the achievement of this goal, it is important that the Council provides leadership to Governance and Risk Management.

9.1.2 Audit Committee

The Audit Committee provides an independent assurance on the adequacy and effectiveness of MLM's management of risk including, but not limited to, the processes, systems and controls relating to data integrity, the assessment and monitoring of risk, and compliance with qualitative and quantitative criteria outlined in all regulatory guidelines. Its responsibilities with regard to risk management, are formally defined in its Charter (Audit Committee Charter).

9.1.3 Risk Committee

The Risk Committee is appointed by the Municipal Manager to assist him/her in discharging their responsibilities for risk management. It does not assume the functions of management but is responsible for assisting the accounting officer in addressing the oversight requirements of risk management and evaluating and monitoring the municipality's performance with regards to risk management.

The Committee's role is to assist Council to ensure that, the Institution has implemented an effective policy, and plan for risk management, that will enhance the Institution's ability to achieve its strategic objectives, and that disclosure regarding risk is comprehensive, timely, and relevant, review the risk management progress and maturity of the Institution, the effectiveness of risk management activities, the key risks facing the Institution, and the responses to address key risks. The responsibilities of the RMC are formally defined in its charter.

9.2. Risk Management Implementers

9.2.1. Municipal Manager

The Municipal Manager as (Accounting Officer) is ultimately responsible for ensuring that, the Institution has, and maintains an effective and transparent system of risk management, internal control environment, and is accountable for the Institution's overall governance of risk. By setting a positive tone, and culture within the Institution, the Municipal Manager promotes accountability, transparency, integrity, and creates a positive control environment culture.

9.2.2. Management

Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management into the day-to-day activities of the Institution. It is also responsible for championing a positive risk culture within their business units, take ownership of the implementation of risk action(s), to ensure continuous management, and/ or robust oversight and report changes in the control environment.

9.2.3. Other Officials

Other officials are responsible for integrating risk management onto their day-to-day activities, to ensure greater enhancement of the control environment. They ensure that, their delegated risk management responsibilities are executed, and continuously report on progress to action owners: Risk Champions, and Head of business units. They are also responsible to provide support to department Risk Champions by communicating any emerging risk during their day-to-day operational process.

9.3. Risk Management Support

9.3.1. Chief Risk Officer (Person responsible for risk management)

The Chief Risk Officer is the custodian of the Institution's risk management activities, both strategic, and operational. The primary responsibility of the Chief Risk Officer is to bring to bear his/her expertise to assist the Institution in embedding risk management within its culture and leverage its benefits to enhance performance.

9.3.2. Risk Champion

Risk management champions are drawn from the existing resources, from within the operations and functions of the various business units. The Risk Champion's responsibilities include being the Champion of risk in his/her respective business units, ensuring that, emerging risk are identified, the control environment is enhanced to increase the level of business unit's performance, and risk maturity. Ensure that, the risk register is kept as a working document for updating of risk information, and constant engagement with the risk unit, and report on business units' risks on a monthly basis.

9.4. Risk Management Assurance Providers

9.4.1. Internal Audit

The role of the Internal Audit in risk management is to provide an independent, objective assurance on the effectiveness, progress in maturity of the Institution risk management systems. Internal Audit must on annual basis, evaluate the adequacy, and effectiveness of the Enterprise-Wide Risk Management system, and improvements within the control environment and provide recommendations for improvement where necessary.

9.4.2. External Audit

The external auditor (Auditor-General) provides an independent opinion on the adequacy, and effectiveness of the Institution's risk management system.

All risk management efforts will be focused on supporting the Institution's strategic objectives as reflected in the Integrated Development Plan (IDP). Equally, they must ensure compliance with relevant legislation, standards (COSO), leading practices (King Code), and fulfill the expectations of employees, communities and other stakeholders in terms of Corporate Governance.

10. Relevant Documentation

The Risk Management Policy should be read in conjunction with the Risk Management Strategy, Framework and Risk Management Implementation Plan.

11. Policy review

This Policy shall be reviewed on a 3-year cycle and updated annually to reflect the current stance on risk management.

12. Approval of the Policy

The approval of this policy rests with the Municipal Council on the recommendation of the Accounting Officer and the Risk Management Committee.

Recommended by the Risk Management Committee:

Signature: ____________

Date: 13 June 2025

Approved by the Council:

Date: 07 July 2025