RISK MANAGEMENT POLICY

FINANCIAL YEAR 2025-2026

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

2. Policy Statements

Ngwathe Local Municipality's is committed to the effective risk management and treatment of risk in order to achieve its objectives. Management of risk is the responsibility of Council, Senior Management and personnel. As stipulated in Section 62 (1) (c) (i) of the MFMA requires that: **"**The accounting officer has and maintains: Effective, efficient and transparent systems of financial and risk management and internal control."

It is important that employees are aware of the risks associated with their area of their responsibilities and must manage these risks to be within tolerance level by using risk response strategies outlined in Ngwathe Local Municipality's Risk Management Strategy.

3. Policy Objectives

- 3.1 To explain Ngwathe Local Municipality's approach to risk management and ensure that it has a consistent and effective systematic approach
- To ensure that Ngwathe Local Municipality's culture and processes encourages the identification assessment and treatment of risks that may affect its ability to achieve its objective.
- To explain key aspects of risk management and to clearly indicate the risk management reporting procedures
- To hold council, management and officials accountable for the implementation of risk management on their area of responsibility
- To create an environment where everyone takes responsibility of managing risk
- To create a more risk aware organizational culture through enhanced communication and reporting on the status.
- To improve corporate governance and compliance with relevant legislation
- To encourages the implementation of the policy to provide the basis and methodologies for:
    - more confident and rigorous decision-making and planning
    - better identification of opportunities and threats

- pro-active rather re-active management
- more effective allocation and use of resources
- improved management and reduction in losses.
- improved stakeholder confidence and trust
- clear understanding by all staff of their roles, responsibilities and authorities for managing risk.

4. <u>The Principles</u>

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

Risk management is necessary for planning and decision-making. Risk management must be embedded in all the decision-making processes. Before the decision is taken, the risks it poses must be identified. Ngwathe Local Municipality risk tolerance level must be determined by top management and as outlined in the Risk Management Strategy.

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

Ngwathe Local Municipality subscribes 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 personnel to ensure continuous improvement in knowledge, skills and capabilities, which facilitate consistent conformance to the stakeholder's expectations.
- Maintaining an environment that promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

- Municipality will conduct a risk assessment on an annual basis with a review or re-assessment of the risks conducted on quarterly basis to ensure maximum mitigation thereof. Risks will be owned and managed by the department where the risk resides. This policy is subject to an annual review in line with Risk Management Framework.

5. Legislative Context

Section 62 (1) (c), (i) and (ii) of Municipal Finance Management Act, stipulates that: “Accounting Officer of a municipalities 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 of financial and risk management and internal control; and of internal audit operating in accordance with any prescribed norms and standards”.

On the other hand, section 165(2) (a) and (b) (iv) requires that the Internal Audit unit of a municipality must prepare a risk-based audit plan and program for each financial year. Advice the Accounting Officer and report to the Audit Committee on the implementation of the internal audit plan and matters relating to risk and risk management.

The Municipal Manager must commit the Municipality to a process of Risk Management that’s aligned to the principles of good corporate governance, as supported by:

- Municipal Systems Act (MSA) 117 OF 1998
- Municipal Structures Act (MSA) 32 OF 2000
- Treasury Regulations 3.2.1
- King IV Report

6. Outcome of Policy

The required outcome of this policy are as follows:

- Municipality has credible Risk Registers (Strategic, External, Operational and Fraud) with associated mitigating strategies
- Management undertake a formal review and analysis of strategic risks on annual basis.
- Management and other relevant personnel undertakes formal review and analysis of Strategic, External, Operational, Fraud and mitigating strategies.
- Management reviews progress of mitigating strategies through the quarterly Risk Management Committee meeting

7. Reporting

Risk and Compliance Manager

- Risk Owners must submit monthly reports on risk management activities of their department to Municipal Manager, who will delegate to Risk and Compliance Manager for documenting the progress made.

- Risk and Compliance Manager must submit a quarterly report to the Risk Management Committee and Audit Committee on risk management activities not limited to the following:
  i. What date to implement the control measures in different department?
  ii. The effectiveness of the control measure in managing the identified risks.
  iii. Any new emerging risks that may arise in different department.
  iv. Progress made in implementation of mitigating strategies.

Risk Management Committee

Read with reference to Risk Management Charter

8. Monitoring

- Risk and Compliance Manager must monitor the effectiveness of risk mitigating strategies on quarterly basis;

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

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

9. Access to Information

Risk and Compliance Management Unit officials are authorized to:

- Have unrestricted access to all municipal functions, records, property and personnel.
- Have access to the Accounting Officer, the Chairperson of the Risk Management Committee.
- To select subjects, and determine scopes of work, and apply the techniques required accomplishing risk management objectives. Obtain the necessary assistance from personnel in respective departments where risk assessments are performed, as well as other specialized

services from within or outside the Municipality.

- Risk Management report must be a standing item on the management meetings

10. Policy Administration and Approval

This Policy must be reviewed annually to reflect the current states on risk management. In order to comply with any changes that might have happen whenever there are changes adopted by National or Provincial department or whatever relevant stakeholder in order to comply, furthermore, changes must be made by Council if it deems it necessary to do so. The amendments must be processed through risk management committee to accounting officer for recommendation of approval by council

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