The Msunduzi Municipality

INTERNAL AUDIT UNIT

Auditing to Enhance, Protect and Promote Service Delivery'

ENTERPRISE-WIDE RISK MANAGEMENT POLICY

AUGUST 2019

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1. DEFINITIONS

For purposes of this policy, unless the context indicates otherwise, the –

"**Accounting Officer**" in relation to a municipality means the municipal official referred to in Section 60 of the Municipal Finance Management Act No. 56 of 2003 ("the MFMA").

"**Action Owners**" these are the officials assigned specific responsibility for implementation of risk responses / further actions in the Enterprise wide risk management Strategy.

"**Adequate Control**" – Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

"**Audit Committee**" means an independent advisory body established in terms of Section 166 of the MFMA to advise the Municipal Council, Political Office Bearers, the Accounting Officer and management staff of the municipality on matters relating to internal financial control and internal audits, enterprise wide risk management, and others;

"**Auditor-General**" means the person appointed as Auditor-General in terms of Section 193 of the Constitution of the Republic of South Africa, Act 108 of 1996 (as amended) ("the Constitution"), and includes a person

(a)   acting as Auditor-General;

(b)   acting in terms of a delegation by the Auditor-General; or

(c)   designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General.

"**Chief Audit Executive**" – describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and the *Standards.*

"**Chief Risk Officer**" **–** describes a person in a senior position responsible for effectively managing the enterprise wide risk management activity in accordance with the enterprise wide risk management policy and the charter and the job description of the incumbent.

"**Controls**" (Control Techniques) – Any action taken by management, the Executive Committee and Council, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved. It includes the policies, procedures and methods, which ensure that adverse events, which may be negatively, affect successful achievement of the process objectives, are prevented or detected and corrected. It includes soft controls such as the management style, ethics, communication, control environment, etc.

"**Control Environment**" – The attitude and actions of the Council and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure
- Assignment of authority and responsibility
- Human resource policies and practices.
- Competence of personnel.

"Control Processes" – the policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the enterprise wide risk management process.

"Effect" – The risk or exposure management and/or other encounter because the condition is not the same as the criteria (the impact of the difference). In determining the degree of risk or exposure, internal auditors should consider the effect their audit findings may have on the organization's financial statements.

"Effectiveness" – to ascertain whether the system is functioning as intended.

"Effective Control" – Present when management directs systems in such a manner as to provide reasonable assurance that the organization's objectives and goals will be achieved.

"Efficiency" – Objectives and goals are accomplished in an accurate and timely fashion with minimal use of resources.

"**Enterprise-Wide Risk Management**" is a structured and systematic approach to set best course of action under uncertainty by identifying, assessing, implementing controls, monitoring and communicating risk issues in an ongoing basis throughout the municipality.

"Exposure"- Susceptibility / vulnerability of an entity or component of an entity to a risk.

"ERM" – Enterprise risk management is a process, adopted by Council, management and other personnel, applied in strategy setting and across 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.

"Framework" is the totality of the structures, methodology, procedures and definitions that the municipality has chosen to use to implement its enterprise wide risk management processes.

"Governance" – The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

"Inherent Risk" is an adverse event or action that is intrinsic to the operations of a Business that may affect an organization's ability to achieve its objectives. This is the organization's risk exposure assuming there are no controls and is measured on the basis of the likelihood of occurrence and the impact should it occur.

Integrity" is the quality or state of being of sound moral principle; uprightness, honesty, and sincerity; the desire to do the right thing, to profess and live up to a set of values and expectations.

"**Internal audit unit**" is a component within the Msunduzi Municipal Council that is established in terms of Section 165 of the MFMA;

"Internal Controls" are measures, methods, techniques, systems whether manual, electronic or otherwise, policies, procedures and processes that have been put in place by management to prevent, detect and correct a risk;

"Likelihood" is a probability of adverse event causing a risk to materialize;

"Municipality" means a Msunduzi Municipality established in terms of Section 155 of the Constitution;

"**Municipal Council or Council**" means a municipal council of Msunduzi established in terms of Section 157 of the Constitution;

"Municipal Entity" means a company, co-operative, trust, fund or any other corporate entity established in terms of any applicable national or provincial legislation and which operates under the ownership control of one or more municipalities; and includes, in the case of a company under' such ownership control, any subsidiary of that company; or a service utility;

"Operational Risks" are risks that relate to the operational processes of the municipality.

"Rating Scales" means the scales adopted by Msunduzi Municipality in measuring the likelihood and impact of risk exposures and the effectiveness of existing controls.

"Reasonable assurance" means that the concept RM, no matter how well designed and operated, cannot provide a guarantee regarding achievement of the municipality's objectives because of inherent limitations of RM.

"Residual risk" is the remaining risk after management has taken action to alter the risks likelihood or impact.

"**Risk**" threat that an event or action will adversely affect an organization's ability to achieve its objectives and to execute its strategies successfully;

"Risk appetite" is the broad based amount of risk the municipality is willing to accept in pursuit of its mission (vision)

"**Risk Assessment**" is a process of ascertaining the probability and impact of uncertain events or how potential events might affect the achievement of objectives;

"Risk Management Charter" – is a formal document that defines the enterprise wide risk management activity's purpose, authority, and responsibility. It establishes the enterprise wide risk management activity's position within the organization and defines the scope of enterprise wide risk management activities.

"Risk Management Committee" means a management committee of the Msunduzi Municipality established and appointed by the Accounting Officer to assist the municipality in discharging its enterprise wide risk management responsibilities made up of Senior Managers;

"Risk Management Framework" is a document that incorporates, enterprise wide risk management policy, enterprise wide risk management strategy and enterprise wide risk management methodology;

"**Risk officers"** mean officers performing enterprise wide risk management support functions to the business units;

"Risk Owners" these are officials with accountability over management of risks.

"Risk tolerance" is the acceptable variation relative to the achievement of an objective.

"**Risk officers"** mean officers performing enterprise wide risk management support functions to the business units.

"Risk Bearing Capacity" – is the maximum amount of risk that the organization is able to accept in line with its mission / values / strategic goals, without exposing it to the point where its existence and survival is under threat.

"Root Cause" – means the underlying problem (problem at root) that gives rise to a risk.

"Section 57 Manager" – is an official appointed in writing by the Council in terms of Section 57 of the Local Government: Municipal Systems Act, Act 32 of 2000, as an administrative head of the Business Unit and delegated the responsibility for enterprise wide risk management, financial management and internal controls under his/her Unit and is directly accountable to the Municipal Manager.

"Section 57 manager is an official appointed in writing by the Council in terms of Section 57 of the Local Government: Municipal Systems Act, Act 32 of 2000, is directly accountable to the Municipal Manager.

"Senior Managers" are Section 57 Managers reporting directly to the Municipal Manager.

"Strategic" is used with objectives having to do with high level goals that are aligned with and support the entity's vision (mission)

"Strategic Risk"- means a risk with direct bearing to the mandate / strategic objective of an organisation.

"Weighting of Inherent Risk Components" means the scale assigned to the importance of priority between the likelihood and impact, measured in percentage terms, adopted by the municipality to determine the overall inherent risk rating.

2.   ABBREVIATIONS

"ÄO" – Accounting Officer

"AC" – Audit Committee

"AG" - Auditor General

"CAE" - Chief Audit Executive

´CRO" – Chief Risk Officer

"GM" – General Manager

"IAU"- Internal Audit Unit

"IDP"- means the Integrated Development Plan

"COSO" – Committee of Sponsoring Organizations of the Treadway Commission.

"ISO" – International Organization for Standardization (International Standardization Organization) Definition: comes from the Greek word "ISOS," which means equal. The name used for the standards organization is the same in all countries. It consists of standards institutes in 164 countries that work together to create industry standards. ISO has developed more than 19 000 standards in a variety of areas. Standards include guidelines for health care technology, environmental health and safety, mechanical systems, electronics, engineering disciplines, logistics and distribution, energy and food technology. ISO31 000 is a guideline for enterprise wide risk management and ISO 9001 focuses on quality management.

"ERM" – Enterprise-Wide Risk Management

"MFMA"- Municipal Finance Management Act No. 56 of 2003

"RBC" – Risk Bearing Capacity

"RMC" - Risk Management Committee"

"RMF" – Risk Management Framework

"SDBIP"- means Service Delivery and Budget Implementation Plan

3.   PURPOSE

This policy is intended to:

3.1   define and provide for a context for Risk Management in line with the Public Sector Risk Management Framework published by National Treasury in April 2010;

3.2   give effect to Section 62 (1) (c) (i) of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) which places the responsibility of ensuring that the municipality has and maintains effective, efficient and transparent system of risk management to the Accounting Officer;

3.3   give effect to principles advocated by King IV report;

3.4   provide foundation for enterprise wide risk management process to ensure effective accountability in management of risks and inculcate enterprise wide risk management philosophy within the municipality;

3.5   give guidance on the approach, design and maintenance of a comprehensive enterprise wide risk profile/register and risk management strategy.

4.   SCOPE OF THE POLICY

This policy, unless certain parts thereof indicate otherwise, applies to all officials of the Msunduzi Municipality including contract workers, interns, other temporary workers, municipal entity and Councillors of Msunduzi Municipality.

5.   LEGAL MANDATE

5.1   Section 62 of the MFMA states that the Accounting Officer 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 of financial and risk management and internal control.

5.2   Section 95 of the MFMA reaffirms the responsibilities of the Accounting Officer in so far as maintenance of effective, efficient and transparent system of financial and risk management and internal control.

5.3   Section 78 of the MFMA outlines the general responsibilities for Senior Managers and other officials of the municipality. The responsibilities of these officials have a direct bearing in financial and risk management and internal controls.

5.4   Section 165 of the MFMA requires the internal audit unit to advise the accounting officer and report to the audit committee on matters relating to inter alia, risk and risk management.

5.5   Section 166 of the MFMA states that the audit committee as an independent advisory body must advise the municipal council, the political office- bearers, the accounting officer and the management staff of the municipality on matters related to, amongst others risk management.

6.   POLICY STATEMENT

6.1   The MFMA has established the legal framework for enterprise wide risk management in the public sector enforces risk management practice. Enterprise wide risk management is about managing a potential inability by the municipality to fulfil the requirements of the constitution. It is for this reason that the Constitution of the Republic of South Africa is the fundamental foundation of enterprise wide risk management.

6.2   The Msunduzi Municipality looks at enterprise wide risk management in light of the constitutional imperatives. The preamble of our constitution and Chapter 2 of the Constitution deals extensively with the Bill of Rights. Under the Bill of Right are relevant to the imperative of the Constitution versus enterprise wide risk management.

6.3   The Msunduzi Municipality is aware that no organization is functioning in a risk-free environment and as a public institution we are susceptible to risks associated with the fulfilling of our constitutional mandate.

6.4   The Msunduzi Municipality is committed to achieve its vision as set out in its strategic planning document and to contribute towards building a "better life for all". We therefore consider enterprise wide risk management as an integral part of our strategy and operations and as a management tool to assist in achieving our service delivery objectives.

7.   CODE OF PRACTICE FOR ENTERPRISE WIDE RISK MANAGEMENT

7.1   The Municipality Enterprise Wide Risk Management Policy sets out a basis to effectively manage the risks involved in all our activities, to maximize opportunities, to minimize adversity and to achieve improved service delivery outcomes and outputs.

7.2   The Msunduzi Municipality will manage the risks and opportunities in a transparent, honest and responsible manner that will ensure a safe and a conducive environment in the best interest of the municipality and its stakeholders.

7.3   The Council's stakeholders include, amongst others the following:
       (a)   National and Provincial Departments
       (b)   District Municipality and other Local Municipalities
       (c)   Employees, including contract workers, interns and other temporary workers.
       (d)   Pietermaritzburg Community
       (e)   Suppliers and service providers
       (f)   Businesses
       (g)   Auditor-General

8.   ROLE PLAYERS

Every employee of the Msunduzi Municipality has a responsibility to play a role in enterprise wide risk management activities in their areas of operation and processes and ensuring that the Enterprise Wide Risk Management Policy is adhered at all times.

8.1   Municipal Council

8.1.1   The Council has an ultimate responsibility and accounts to the community of Msunduzi who elected them. In terms of Section 4 of the Local Government: Municipal Systems Act, Act 32 of 2000, the Municipal Council is empowered to exercise legislative and executive authority within its jurisdiction.

8.1.2   The Council has vested interest in enterprise wide risk management to the extent necessary to obtain comfort that properly established and functioning systems of enterprise wide risk management are in place to ensure management of risks within the municipality as required by King IV report on Corporate Governance principles.

8.1.3   The Msunduzi Municipal Council delegates the responsibility of oversight on enterprise wide risk management to the Executive Committee. Whilst the Council has delegated the oversight role to the Executive Committee, however, it is still accountable to the electorate in terms of the failures of the Municipality as a result of lack of proper management of risks. The responsibilities of the Executive Committee in this regard are outlined below. The Municipal Council shall receive reports on enterprise wide risk management on quarterly basis in order to fulfil its responsibilities as enshrined in the Constitution and sub-ordinate legislation which established the Municipal Councils.

8.1.4   approve enterprise wide risk management policy and strategy for the municipality and municipal entity under its control.

8.1.5   adoption of a resolution on the risk appetite/tolerance set for the municipality.

8.2   Executive Committee

The Executive Committee is headed by the Mayor, who is ultimately accountable to Council. The Executive Committee provides governance, guidance and oversight on behalf of Council. The Executive Committee has a major role in defining what it expects in integrity and ethical values and can confirm its expectations through oversight activities. The Council provides oversight with regard to enterprise wide risk management through Executive Committee. The Executive Committee is responsible for:

(a)   ensuring that the municipality's strategies are aligned to the municipal mandate;

(b)   obtaining assurance from the Accounting Officer and his Senior Managers that the municipality's strategic choices are based on a rigorous identification and assessment of risks that are facing the municipality;

(c)   obtaining assurances that key risks inherent in the municipality's strategies were identified and assessed, and are being properly managed;

(d)   assisting the Accounting Officer to deal with the fiscal, intergovernmental, political and other risks beyond his/her direct control and influence;

(e)   insisting on the achievement of objectives, effective performance management and value for money;

(f)   monitor the implementation of the enterprise wide risk management policy and strategy for the municipality and municipal entity under its control;

(g)   ensuring that the municipality's enterprise wide risk management is effective and efficient; and

(h)   review and recommend for adoption of a resolution on the risk appetite/tolerance set for the municipality.

8.3   **Accounting Officer**

8.3.1   The ultimate responsibility for enterprise wide risk management in the Municipality lies with the Accounting Officer. The Accounting Officer must promote a culture of enterprise wide risk management that affects the integrity and other factors of a positive control environment. The Accounting Officer must:

(a)   set an appropriate tone at the top by supporting and being seen to be supporting the municipality's aspirations for effective management of risks;

(b)   delegate responsibilities for enterprise wide risk management to Senior Managers and establishment of the Enterprise wide risk management Committee;

(c)   hold management accountable for designing, implementing, monitoring and integrating risk management into their day-to-day activities

(d)   ensure that enterprise wide risk management is integrated into all strategic management processes and that the significant risks are addressed;

(e)   ensure that the strategic plan of the municipality indicates specific outputs and service delivery targets and that all significant risks are taken into consideration in the development of the strategic plan. In managing these risks, the Accounting Officer must, amongst other things, put in place a performance management system that links Senior Managers performance to strategic objectives of the Council;

(f)   hold the internal structures accountable for performance in terms of their responsibilities for enterprise wide risk management;

(g)   provide leadership and guidance to enable Management and internal structures responsible for various aspects of enterprise wide risk management to properly perform their functions;

(h)   ensure that the control environment supports the effective functioning of enterprise wide risk management;

(i)   devote personal attention to overseeing management of the significant risks;

(j)   leverage the Audit Committee, Internal Audit Unit, Auditor-General and Risk Management Committee for assurance on the effectiveness of enterprise wide risk management;

(k)   ensure appropriate action in respect of the recommendations of the Audit Committee, Internal Audit Unit, Auditor-General and Risk Management Committee to improve enterprise wide risk management;

(l)   provide assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated;

(m)   ensure that the risk assessments are carried out in accordance with relevant legislation and best practice;

(n)   recommend the risk appetite / tolerance levels; and

(o)   recommend the enterprise wide risk management strategy and know the extent to which management has established effective enterprise wide risk management in Council.

8.3.2   All in all, the Accounting Officer must ensure that he/she is informed of the significant risks; along with actions taken by management in is ensuring effective enterprise wide risk management.

8.3.3   The Accounting Officer must ensure that a risk assessment is conducted at least annually to identify the emerging risks of the municipality. A risk assessment report must be used to direct internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks.

8.3.4   The Accounting Officer should ensure that enterprise risk management always feature on the agenda of strategic planning and is part and parcel and standing agenda of the SMC in order to create a risk management culture as risk management is not an event but a daily activity within the municipality.

8.3.5   The Accounting Officer should also ensure that the performance agreement and or performance plans or operation plans form part and parcel of performance.

8.3.6   The Accounting Officer should also ensure that each and every report to be considered by the SMC, Portfolio Committees, Exco and Council do reflect on inherent risks pertaining to the subject matter as this will bring enterprise wide risk management into practice into all activities. This will ensure that all Council structure before they take decisions they apply their minds of what their decision will result to in so far as risks are concerned.

8.4   **Risk Management Committee**

8.4.1   The Risk Management Committee is appointed by the Accounting Officer to assist the municipality to discharge its enterprise wide risk management responsibilities. The RMC is a committee chaired by the Accounting Officer.

The Accounting Officer, Chief Financial Officer General Managers and Senior Manager in the Officer of the City Manager and Senior Manager: Political Support are members of the RMC. The Chief Risk Officer shall attend the Risk Management Committee to report on activities as per the risk management plan as approved by the RMC. The Chief Audit Executive shall attend all meetings of the RMC as an ex-officio. In the absence of the chairperson, members of the RMC shall nominate a member to be the chairperson for the day. The committee shall meet on a quarterly basis and/or as the need arises.

8.4.2   The Municipal Council must equip the membership of the Risk Management Committee with the necessary blend of skills, competencies and attributes, including the following critical aspects:

(a)   an intimate understanding of the municipality's mandate and operations;

(b)   the ability to act with fidelity, honesty, integrity and objectively, in the best interest of the municipality in managing risks that face the municipality; and

(c)   a thorough knowledge of enterprise wide risk management principles and their application.

8.4.3   The responsibilities of the Risk Management Committee shall be formally defined in a charter approved by the Accounting Officer. In discharging its governance responsibilities relating to enterprise wide risk management, the Risk Management Committee shall:

(a)   review and recommend for the approval of the Council through the Audit Committee and Executive Committee the:

(i)   enterprise wide risk management policy;

(ii)   enterprise wide risk management strategy including enterprise wide risk management implementation plan and the municipality's risk appetite, ensuring that limits are supported by a rigorous analysis and expert judgement;

(iii)   determine and set the risk appetite / tolerance levels for the municipality;

(iv)   risk appetite / tolerance is expressed in the same values as the key performance indicators to which they apply;

(v)   municipality's risk tolerance levels have ability to withstand significant shocks;

(vi)   the municipality's ability to recover financially and operationally from significant shocks.

(vii)   municipality's risk control identification and assessment methodologies, after satisfying itself of their effectiveness in timeously and accurately identifying and assessing the municipality's risks.

(viii)   evaluate the extent and effectiveness of integration of risk management within the municipality;

(ix)   assess implementation of the enterprise wide risk management policy and strategy (including implementation plan);

(x)   evaluate the effectiveness of the mitigating strategies or alternatively action plans implemented to address the material risks of the Institution;

(xi)   review the material findings and recommendations by assurance providers (Internal Audit Unit and Auditor-General) on the system of enterprise wide risk management and monitor the implementation of such recommendations;

(xii)   develop its own key performance indicators for approval by the Accounting Officer;

(xiii) interact with the Audit Committee to share information relating to material risks of the municipality;

(xiv)   provide timely and useful reports to the Accounting Officer on the state of enterprise wide risk management, together with accompanying recommendations to address any deficiencies identified by the Committee;

(xv)   promote and communicate enterprise wide risk management philosophy create and promote enterprise wide risk management culture within Council;

(xvi)   periodically monitor the implementation of the enterprise wide risk management strategy, compliance with the enterprise wide risk management policy and evaluate its effectiveness;

(xvii) in instances where the scale, complexity and geographical dispersion of the municipality's activities dictate the need for the Risk Management Committee to work through subcommittees, the Risk Management Committee should ensure that:

- approval is obtained from the Accounting Officer for the establishment of the sub-committees;
- the terms of reference of the sub-committees are aligned to that of the Risk Management Committee; and
- the Risk Management Committee exercises control over the functioning of the subcommittees.

8.5   **Chief Risk officer**

8.5.1   The Risk Management Sub-Unit works headed by a Chief Risk Officer shall be supported by Risk Officers in the sub-unit and risk champions stationed at each business Units in establishing and maintaining effective enterprise wide risk management in their areas of responsibility.

8.5.2   The primary responsibility of the Chief Risk Officer is to bring to bear his / her specialist expertise to assist the municipality to embed enterprise wide risk management and leverage its benefits to enhance performance.

8.5.3   The high level responsibilities of the Chief Risk Officer should include:
(a)   working with Senior Managers to develop the Institution's vision for enterprise wide risk management;
(b)   developing, in consultation with management, the municipality's enterprise wide risk management framework incorporating, *inter alia*, the:
     (i)   enterprise wide risk management policy;
     (ii)   enterprise wide risk management strategy including the implementation plan;
     (iii)   risk identification and assessment methodology; and
     (iv)   risk appetite and tolerance.
(c)   communicating the municipality's enterprise wide risk management framework to all stakeholders the municipality and monitoring its implementation;
(d)   facilitating orientation and training for the Risk Management Committee;
(e)   training all stakeholders in their enterprise wide risk management functions;
(f)   continuously driving enterprise wide risk management to higher levels of maturity;
(g)   assisting Management with risk identification, assessment and development of response strategies;
(h)   monitoring the implementation of the response strategies;
(i)   collating, aggregating, interpreting and analysing the results of risk assessments to extract risk intelligence;
(j)   reporting risk intelligence to the Accounting Officer, Management and the Risk Management Committee; and
(k)   participating with Internal Audit Unit, Management and Auditor-General in developing the combined assurance plan for the Institution.

8.6   **Senior Managers**

8.6.1   The Council appoints senior manager and delegate to them the responsibility to manage risks in their areas of responsibility. It is the responsibility of management to support the Council's enterprise wide risk management philosophy and processes.

8.6.2   Management is responsible for executing their responsibilities outlined in the enterprise wide risk management strategy and for integrating enterprise wide risk management into the operational routines.

8.6.3   High level responsibilities of Senior Managers should include:
(a)   executing their responsibilities as set out in the enterprise wide risk management strategy;

(b)   empowering officials to perform effectively in their enterprise wide risk management responsibilities through proper communication of responsibilities, comprehensive orientation and on-going opportunities for skills development;

(c)   aligning and integrating the functional enterprise wide risk management methodologies and processes with the municipality planning, monitoring and reporting process and daily management programmes and activities;

(d)   promoting compliance with enterprise wide risk management processes and good corporate governance

(e)   devoting personal attention to overseeing the management of key risks within their area of responsibility;

(f)   maintaining a co-operative relationship with the Risk Management Sub-Unit and Risk Champions;

(g)   providing enterprise wide risk management reports;

(h)   presenting to the Risk Management and Audit Committees as requested;

(i)   maintaining the proper functioning of the control environment within their area of responsibility;

(j)   monitoring enterprise wide risk management within their area of responsibility and commenting on the overall quality of risk responses, control activities, information and communication, as it applies to specific risk types;

(k)   holding officials accountable for their specific enterprise wide risk management responsibilities;

(l)   appointing Risk Champions to support enterprise wide risk management activities within their business unit

8.7   Risk Champions

8.7.1   The Risk Champion must be a person with the skills, knowledge, leadership qualities and power of office required to champion a particular aspect of enterprise wide risk management.

8.7.2   A key part of the Risk Champion's responsibility should involve intervening in instances where the enterprise wide risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of municipality skills and expertise.

8.7.3   The Risk Champions must also add value to the enterprise wide risk management process by providing guidance and support to manage "problematic" risks and risks of a transversal nature that require a multiple participant approach.

8.7.4   In order to fulfil his/her function, the Risk Champions must possess:
(a)   a good understanding of enterprise wide risk management concepts, principles and processes;

(b)   good analytical skills;
(c)   expert power;
(d)   leadership and motivational qualities; and
(e)   good communication skills.

8.7.5   The Risk Champion should not assume the role of the Risk Owner but must assist the Risk Owner to resolve problems.

8.7.6   The Risk Champion maintain and update risk registers for their business units and ensure that actions that are intended to address risks in the business units are implemented

8.7.7   The Risk Champion shall report to their respective business units with a dotted line to the Risk Management Sub-Unit.

8.8   **Other Officials**

8.8.1   Other officials are responsible for executing enterprise wide risk management in accordance with established directives and protocols by communicating risks such as problems in operations, non-compliance with the code of conduct, other policy violations or illegal actions, including the following:
(a)   for integrating enterprise wide risk management into their day-today activities.
(b)   applying the enterprise wide risk management processes in their respective functions;
(c)   implementing the delegated action plans to address the identified risks;
(d)   informing their supervisors and/or the Risk Management Sub-Unit of new risks and significant changes in known risks; and
(e)   co-operating with other role players in the enterprise wide risk management process and providing information as required.

8.9   **Internal Audit Unit**

8.9.1   The role of the Internal Audit Unit in enterprise wide risk management is to provide an independent, objective assurance on the effectiveness of the Institution's system of enterprise wide risk management.

8.9.2   Internal Audit Unit must evaluate the effectiveness of the entire system of enterprise wide risk management and provide recommendations for improvement where necessary.

8.9.3   Internal Audit Unit must develop its internal audit plan on the basis of the key risk areas.

8.9.4   In terms of the International Standards for the Professional Practice of Internal Audit, determining whether enterprise wide risk management processes are effective is a judgment resulting from the Internal Auditor's assessment that**:**
(a)   Institutional objectives support and align with the Institution's mission;
(b)   significant risks are identified and assessed;
(c)   risk responses are appropriate to limit risk to an acceptable level; and
(d)   relevant risk information is captured and communicated in a timely manner to enable the Accounting Officer, Management, the Risk Management Committee and other officials to carry out their responsibilities.

8.9.5   In case where the Internal Auditor assumes the role of the Chief Risk Officer, his/her enterprise wide risk management responsibilities include:
(a)   assisting Management to develop the enterprise wide risk management policy, strategy and implementation plan;
(b)   co-ordinating enterprise wide risk management activities;
(c)   facilitating identification and assessment of risks;

(d)   recommending risk responses to Management; and

(e)   developing and disseminating risk reports.

8.9.6   When assisting Management in establishing or improving enterprise wide risk management processes, Internal Audit Unit must refrain from assuming management responsibilities for enterprise wide risk management.

8.10   **Auditor-General**

8.10.1   The Auditor-General provides an independent opinion on the effectiveness of enterprise wide risk management.

8.10.2   In providing the audit opinion, the Auditor-General usually focuses on:

(a)   determining whether the enterprise wide risk management policy, strategy and implementation plan are in place and are appropriate;

(b)   assessing the implementation of the enterprise wide risk management policy and strategy;

(c)   reviewing the risk identification process to determine if it is sufficiently robust to facilitate the timely, correct and complete identification of significant risks, including new and emerging risks;

(d)   reviewing the risk assessment process to determine if it is sufficiently robust to facilitate timely and accurate risk rating and prioritisation; and

(e)   determining whether the management action plans to mitigate the key risks are appropriate, and are being effectively implemented.

8.11   **Audit Committee**

8.11.1   With respect to enterprise wide risk management, the prime objective of the Audit Committee is to be council's expert monitors. The responsibilities of the committee in this regard are two-fold:

(a)   Ensure that the municipality's enterprise wide risk management framework is efficiently implemented and maintained

(b)   Provide the Council with assurance that the risks to which we are exposed are being efficiently managed in compliance with the framework and regulations and that strategies dealing with abnormal events have been implemented.

8.11.2   To achieve these responsibilities, the audit and risk committee should ensure that:

(a)   The statement of the municipality's risk appetite is appropriately translated into risk tolerances

(b)   The enterprise wide risk management framework is established, efficiently managed and maintained

(c)   Appropriate forums covering major divisions are established

(d)   Consolidated risk supervision takes place

(e)   The municipality adopts best practice in enterprise wide risk management

(f)   They recommend content and frequency of risk reporting to the Executive Committee

(g)   They facilitate and promote communication of risk related matters to the Executive Committee

(h)   They review the aggregate risk profile.

8.11.3   The Audit Committee is an independent committee responsible for oversight of the Institution's control, governance and enterprise wide risk management.

8.11.4   The responsibilities of the Audit Committee with respect to enterprise wide risk management should be formally defined in its charter.

8.11.5   The Audit Committee must provide an independent and objective view of the municipality's enterprise wide risk management effectiveness.

8.11.6   Responsibilities of the Audit Committee, where there is a separate Risk Management Committee, must include:

(a)   reviewing and recommending disclosures on matters of risk in the annual financial statements;

(b)   reviewing and recommending disclosures on matters of risk and enterprise wide risk management in the annual report;

(c)   providing regular feedback to the Accounting Officer, Executive Committee and Council on the adequacy and effectiveness of enterprise wide risk management in the municipality, including recommendations for improvement;

(d)   ensuring that the internal and external audit plans are aligned to the risk profile of the Institution;

(e)   satisfying itself that it has appropriately addressed the following areas:
(i)   financial reporting risks, including the risk of fraud;
(ii)   internal financial controls; and
(iii)   IT risks as they relate to financial reporting.

(f)   The Audit Committee must evaluate the effectiveness of Internal Audit Unit in its responsibilities for enterprise wide risk management.

9.   POLICY IMPLEMENTATION

The policy shall upon approval, be communicated to all staff members. Risk Management workshops shall be conducted for the Risk Management Committee and for all key staff members.

10.   POLICY AMENDMENTS

This policy will be reviewed as and when the need arises. The amendment of this policy or any of the provisions thereof shall be reduced in writing and approved by Council. The Chief Risk Officer and Risk Management Committee shall be jointly responsible to facilitate the review of the policy.

11.   APPROVAL OF POLICY

This enterprise wide risk management policy and any amendments thereto, become effective upon approval by the Council of the Msunduzi Municipality.

Approved on the _____day of _____2019 at Pietermaritzburg.

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