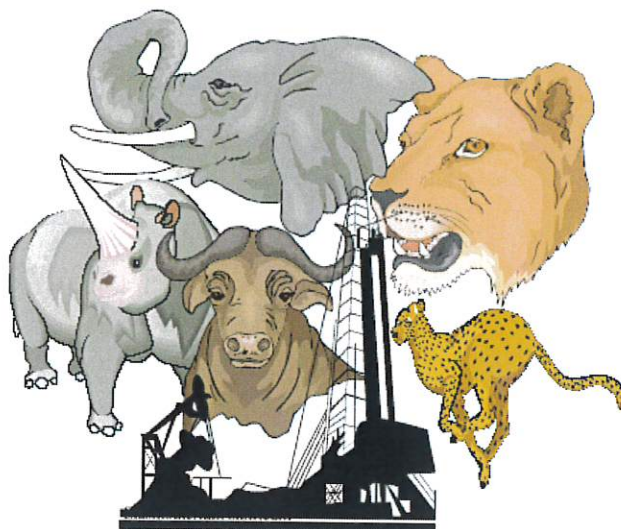


BOJANALA PLATINUM DISTRICT MUNICIPALITY



RISK MANAGEMENT POLICY

2024/2025



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1. INTRODUCTION

The Accounting Officer has committed Bojanala Platinum District Municipality (BPDM) 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.

The BPDM process of risk management is informed by the

- Risk Management Policy,
- Risk Management Strategy attached as Annexure A and
- Risk Management Implementation Plan attached as Annexure B.

2. RISK AND RISK MANAGEMENT

Risk refers to a beneficial or unwanted outcome, actual or potential, to the organization's service delivery and other performance objectives, caused by the presence of risk factors. Some risk factors also present upside potential, which management must be aware of and be prepared to exploit. Such opportunities are encompassed in this definition of risk.

Risk management is a systematic and formalized process instituted by the organization to identify, assess, manage and monitor risks.

3. LEGAL FRAMEWORK AND GUIDANCE

The Municipality's legal responsibilities and best practices governing risk management include:

3.1 Local Government: Municipal Finance Management Act, No 56 of 2003

Section 62 states that:

“(1) 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

- (a) That the resources of the Municipality are used effectively, efficiently and economically;
 - (b) That full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards
 - (c) that the municipality has and maintains effective, efficient and transparent systems –
 - a. of financial and risk management and internal control; and
 - b. of internal audit operating in accordance with any prescribed norms and standards
- 2. that unauthorized, irregular or fruitless and wasteful expenditure and other losses are prevented;
 - 3. that disciplinary, or when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15

Section 166 (2) (a) (ii) states that an audit committee is an independent advisory body which must advise the municipal Council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to risk management.

3.2 Other Legislation

Legislation concerning risk management is contained in various other pieces of legislation and the Municipality needs to take cognizance of these requirements when addressing the risk exposures of specific Directorates/Departments. These would include inter alia - the Occupational Health and Safety Act, Construction Regulations, Environmental Legislation, etc.

3.3 The Public Sector Risk Management Framework

The National Treasury Public Sector Risk Management Framework (PSRMF) provides a generic guide for the implementation of risk management strategies in the public service, and suggests that risk management is a formal systematic process that can be applied at all levels of any Institution. These principles need to be implemented within the context of each Institution who should implement this framework in the development of their own risk management strategies.

3.4 The King IV Code of Governance for South Africa, 2016

The King IV Code has nine focus areas and the principles to be applied in each area of equal importance and together forms a holistic approach to governance. The Governance of Risk is one of these focus areas and in turn is broken up into governance elements, principles and recommended practices.

3.5 ISO 31000

ISO 31000 is a standard that provides a generic approach, principles and guidelines for managing of any form of risk in a systematic, transparent and credible manner and within any scope and context.

4. BENEFITS OF RISK MANAGEMENT

BPDM will implement and maintain an effective, efficient and transparent system of risk management and internal control. Risk management will assist the municipality to achieve, among other things, the following outcomes needed to underpin and enhance performance:

- More sustainable and reliable delivery of services;
- Informed decisions underpinned by appropriate rigour and analysis;
- Achievement of strategic goals as set out in the Integrated Development Plan;
- Reduced waste;
- Prevention of fraud and corruption;
- Better value for money through more efficient use of resources; and

- Better outputs and outcomes through improved project and program management.

5. PURPOSE OF THE POLICY

The purpose of this Policy is to articulate the BPDMs risk management philosophy. The District Municipality of Bojanala recognizes that risk management is a systematic and formalized process to identify, assess, manage and monitor risks and therefore adopts a comprehensive approach to the management of risk.

6. POLICY STATEMENT

The Municipality recognizes that it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimize uncertainty in achieving its goals and objectives and maximize the opportunities to achieve its vision. The Municipality is aware that some risks can never be eliminated fully and it has in place a strategy that provides a structured, systematic and focused approach to managing risk. Risk management is an integral part of the Council's corporate governance arrangements and has been built into the management processes as part of the Authority's overall framework to deliver continuous improvement.

7. SCOPE OF THE POLICY

The objective of the Risk Management Policy includes the following:

- To align risk-taking behavior with the strategic business objectives in the Integrated Development Plan (IDP);
- To promote a risk management culture within the BPDM and improve risk transparency to all stakeholders;
- To maximize value and net worth by managing risks that impact on the defined financial and performance drivers;
- To assist the municipality in enhancing and protecting those

opportunities that represents the greatest service delivery benefits.

8. THE POLICY

The realization of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardize the direct and indirect interests of council and the public. 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 minimizing risks and costs in the interest of council and the general public;
- Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to council's expectations; and
- Maintaining an environment that promotes the right attitude and sensitivity towards council and public satisfaction.

An entity-wide approach to risk management is adopted by BPDM, which means that: **every**

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 processes will become embedded into the municipality's systems and processes, ensuring that our responses to risks 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, council, communities and other key role players in terms of corporate governance.

9. RISK MANAGEMENT CRITERIA

9.1 Risk Universe

The risk universe is a collection of risks built on environmental analysis and external benchmarking.

It includes all the legislation (acts and regulations); the strategic intentions as outlined in the IDP, SDBIP and Budget as well as the operations and activities of the municipality.

9.2 Impact and Likelihood risk rating scales

Individual risks are to be assessed in terms of the Risk Matrix below, which takes the Likelihood and Impact of a risk into consideration to determine the severity of the risk. This is a subjective process and is therefore not a mathematical process with predetermined criteria, processes and predictable outcomes. Sound judgment, reasoning and discretion is required when deciding whether or not one risk is more critical than another; whether or not a risk requires further attention or not; and to what an extent effort and resources should be invested in managing a particular risk.

RISK MATRIX

IMPACT	5 Extreme	5	10	15	20	25
	4 High	4	8	12	16	20
	3 Medium	3	6	9	12	15
	2 Low	2	4	6	8	10
	1 Negligible	1	2	3	4	5
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Certain
		LIKELIHOOD				

Impact is the magnitude of the consequences of the materialized risk of an event on the organization.

Likelihood is assessed based on the probability that an event would occur, determined qualitative on past occurrences and expectancies in the future.

BPDM utilizes a 5 x 5-risk matrix for the determination of impact and likelihood.

COLOUR CODE	RISK RATING	DESCRIPTION
High Risk	15 – 25	This means the probability of the risk eventuating is high and likely to happen. The risk needs to be monitored and managed accordingly. <i>(Monthly or weekly monitoring needed depending on the severity of the risk)</i>
Medium Risk	07 – 12	Although a risk could materialize, the impact is low and effort and resources invested should be managed accordingly. <i>(Minimum monitoring: quarterly review)</i>
Low Risk	01 – 06	These risks have low impact and low likeliness i.e. both rated below 8 out of 25. It is a low risk that requires little if any attention, effort or resource investment. <i>(Minimum monitoring: annual review)</i>

9.3 Inherent & Residual Risk

Inherent Risk

The Committee on Sponsoring Organizations (COSO) framework defines inherent risk as the risk to an entity in the absence of any actions management that would mitigate, considering the risk environment, the impact and likelihood of a risk.

Residual Risk

Therefore, the residual risk would be the risk exposure to the organization after internal controls have been implemented.

9.4 Risk Appetite

The risk appetite is determined by the municipality, based on the amount of risk the organization is willing to accept, in striving to achieve its strategic objectives.

The risk appetite is determined annually during the annual risk assessment processes. The risk Appetite is currently determined at **12** as per the Risk Matrix.

The risk appetite for the following risk is set at one (1)

- 9.4.1 Unauthorized, Irregular, Fruitless and Wasteful Expenditure
- 9.4.2 Fraud and Corruption
- 9.4.3 Non – Compliance Laws, Regulations and Policies applicable BPDM

9.5 Risk Categories

As the risk environment is so varied and complex it is useful to group potential events into categories. By aggregating events horizontally across a department and vertically within operating units, management develops an understanding of the interrelationships between events, gaining enhanced information as a basis for risk assessment. We have internal and external risk categories. These are risks that will, if not well managed, will impact negatively on the achievement of the municipality's goals and objective.

10. ROLE PLAYERS

Every employee is responsible for executing risk management processes and adhering to risk management procedures laid down by the municipality's management in their areas of responsibilities.

10.1 RISK MANAGEMENT OVERSIGHT

10.1.1 Council

The council of BPDM takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the municipality against significant risks.

Council should adopt the risk Management Policy and Strategy.

10.1.2 Audit Committee (AC)

The Audit Committee is an independent committee responsible for oversight of the municipality'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 effectiveness of the municipality's risk management process.

10.1.3 Risk Management Committee

The Risk Management Committee is appointed by the Accounting Officer to assist management to discharge their responsibilities for risk management. The Committee's role is to review the risk management progress and maturity of the organization, the effectiveness of risk management activities, the key risks facing the organization, and the responses to address these key risks. The responsibilities of the Risk Management Committee are formally defined in its charter.

11. RISK MANAGEMENT IMPLEMENTERS

11.1 Accounting Officer

The Accounting Officer is accountable for the municipality's overall governance of risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

11.2 Management

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

11.3 Other Officials

Other officials are responsible for integrating risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

12. RISK MANAGEMENT SUPPORT

12.1 Chief Risk Officer (as appointed by the AO)

The Chief Risk Officer (CRO) is the custodian of the Risk Management Strategy, and coordinator of risk management activities throughout the organization. The delegated authority has been given to the Manager in the Office of the Municipal Manager. The primary responsibility of the Chief Risk Officer is to bring to bear his/her specialist expertise to assist the organization to embed risk management and leverage its benefits to enhance performance.

12.2 Risk Officer

The Risk Officer's responsibilities are to facilitate, implement and monitor the Risk Management system of the municipality. Manage the process of Risk Assessments and update of the risk registers and actions accordingly on a quarterly basis. Facilitate the identification and

assessment of risk during annual Risk Assessments in the organization to determine risk mitigation and identify new risks. Develop and continuously update the Risk Management policy, strategy, charter and methodology for the District Municipality. Coordinate specific procedures associated with the implementation and execution of risk management by monitoring compliance and submit quarterly reports to the Risk Management Committee.

12.3 Risk Champion

The Risk Champion's responsibility involves intervening in instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of organizational skills and expertise. Additionally, the risk champions of each department must on a quarterly basis report to the CRO on new risks, progress implementations of risk mitigations plans or any changes to the existing risks based on the occurrence of events.

Risk Champions should add value to the risk management process by providing guidance and support to manage or mitigate problematic risks and risks of a transversal nature that require a multiple participant approach

A key part of risk champion responsibility involve the escalating instances where risk management efforts are stifled, such as when individuals try to block Risk Management activities. Risk Champion is usually an existing employee within the department.

13. RISK MANAGEMENT ASSURANCE PROVIDERS

13.1 Internal Audit

The role of the Internal Audit in risk management is to provide an independent, objective assurance on the effectiveness of the municipality's system of risk management. Internal Auditing must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

13.2 External Audit

The external auditor (Auditor-General South Africa) provides an independent opinion on the effectiveness of risk management.

14. CREATION OF WORKING ENVIRONMENT FOR COOPERATION WITH THE CHIEF RISK OFFICER

The Chief Risk Officer is authorised to:

- (a). Have unrestricted access to all LDM's functions, records, property and personnel.
- (b). Have full, free and unrestricted access to the Municipal Manager, Chairperson of the Risk Management Committee, Audit Committee, Senior Management Committee Meetings, Internal Auditors and Auditor-General South Africa.
- (c). Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish risk management objectives.
- (d). Obtain the necessary assistance of personnel from units of BPDM, where risk assessments are performed, as well as other specialised services from within or outside BPDM.
- (e). Ensure that risk management is allocated as one of the standing agenda item in the Senior Management Committee Meetings

16. POLICY REVIEW

This Policy shall be reviewed annually to reflect the Municipality's current stance on risk management

16.1.1.1 REFERENCES

The information contained in this Risk Management Policy, as well as the general structure hereof, was sourced mainly from templates and guidebooks supplied by National Treasury on its website <http://www.treasury.gov.za>

Approved by Municipal Council	Year	Resolution Number
31 August 2022	2022-23	B03/22/23
27 June 2025	2024-25	B126/24/25

27 June 2025	<u>APPROVAL OF 2025/26 AUDIT COMMITTEE CHARTER AND 2024/25 RISK MANAGEMENT POLICY</u> RESOLVED 1. That cognizance be taken of the following: 1.1. Of the stipulations of Section 166 of the MFMA; 1.2. Of the stipulations of Section 62 of the MFMA; 1.3. That Council approves the reviewed Audit Committee Charter for 2025/26 financial year; 1.4. That Council approves the reviewed Risk Management policy for 2024/25 financial year.	B126/24/25
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