

**MARSABIT WATER AND SEWERAGE COMPANY
LIMITED**



RISK MANAGEMENT POLICY

DRAFT

JULY 2024

Document Control

Policy Approval

This policy is subject to review in order to ensure it meets the evolving needs of the organization and changes in the corporate governance environment. Any changes to the contents of this document will require review by Corporate Management Team, Review by Audit, Risk and Compliance Committee and finally approved by the Board of Directors.

This risk policy and framework was approved by the Board of Directors of MARWASCO

Chairperson

SIGNATURE.....**DATE**.....

NAME.....

Managing Director.

SIGNATURE.....**DATE**.....

NAME.....

Audit and Risk Committee Chair.

SIGNATURE.....**DATE**.....

NAME.....

Approved in the Meeting of MARSABIT WATER AND SEWERAGE COMPANY LIMITED Board held/...../.....

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The Policy has been approved and issued under the signature of:

Managing Director: _____ Date: _____

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FOREWORD

As an organization, we operate in a constantly evolving and dynamic business environment that presents a wide range of risks and uncertainties. To achieve our strategic objectives and sustain our success over the long term, we must proactively manage these risks and leverage opportunities to create value.

This risk management policy sets out our approach to identifying, assessing, and managing risks across our Company. It provides a framework for integrating risk management into our decision-making processes and ensuring that risks are addressed in a consistent and effective manner.

Our commitment to risk management is a reflection of our values and culture. We recognize that managing risks is essential to protecting the interests of our stakeholders, as well as maintaining the integrity of our operations and reputation. By managing risks proactively, we can also capitalize on opportunities that arise, enabling us to achieve our strategic goals and create value for all stakeholders.

This policy is applicable to all members of our organization, from the executive leadership team to front-line employees. It establishes the roles and responsibilities of each person in the risk management process and outlines the tools and techniques that we use to identify, assess, and manage risks.

We believe that a robust and effective risk management program is fundamental to achieving our vision and fulfilling our mission as an organization. This policy represents our commitment to managing risks proactively and ensuring the long-term sustainability of our business.

Surveyor. Joseph G. Halakhe

Chairman Board of Directors

MARSABIT WATER AND SEWERAGE COMPANY LIMITED

PREFACE

MARSABIT WATER AND SEWERAGE COMPANY LIMITED appreciates the global dynamism and is; therefore, continually re-aligning its strategies to customer needs.

This risk management policy document outlines our Company's commitment to managing risks in a proactive, effective, and consistent manner. It is designed to ensure that we identify and assess risks, and implement appropriate controls to mitigate or manage those risks.

MARWASCO recognizes that risk management is an essential component of good governance and effective decision-making. By implementing a comprehensive risk management program, we can better protect our stakeholders, as well as our assets, reputation, and long-term sustainability.

This policy document outlines the framework for our risk management program, including roles and responsibilities, risk assessment methodologies, risk appetite, risk monitoring and reporting, and continuous improvement. It applies to all departments within MARWASCO, and all employees are expected to comply with its principles and requirements.

We are committed to regularly reviewing and updating our risk management policy and program to ensure they remain relevant and effective in the face of changing internal and external environments. By doing so, we can continue to manage risks with confidence and optimize our opportunities for success.

ACRONYMS

Acronym	Meaning
BOD	Board of Directors
MARWASCO	MARSABIT WATER AND SEWERAGE COMPANY LIMITED.
HOD	Head of Department
MD	Managing Director
ERM	Enterprise Risk Management
RMF	Risk Management Framework
COSO	Committee of Sponsoring Organizations of the Tread-way Authority
ISO	International Standards Organization
KRI	Key Risk Indicator
RCSA	Risk and Control Self-Assessment

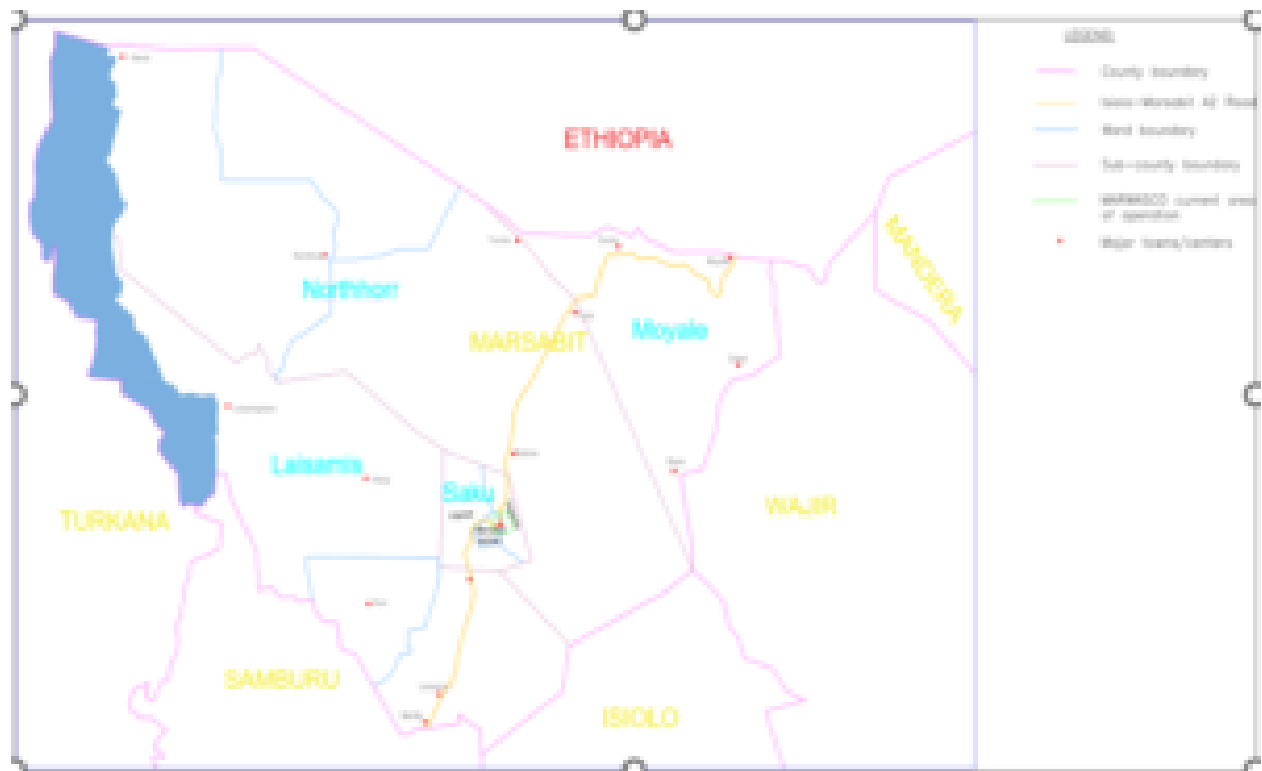
TERM	DEFINITION
Employee	is a person employed by MARWASCO under the stipulated Human Resources and Procedures Manual of MARWASCO and has a formal letter of appointment issued by the Managing Director
Risk Champion	An officer who supports and defends risk management cause. Therefore, a champion of risk management will promote its benefits, educate the business unit's management and employee in the actions they need to take to implement it and will encourage them and support them in taking those actions.
Enterprise risk management (ERM)	ERM is "a process, effected by MARWASCO board of directors, management and other employee , applied in strategy setting across the Company, designed to identify potential events that may affect the organization, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of MARWASCO objectives.
Event	An occurrence or incident, from external or internal sources, that affects the achievement of the COMPANY's objectives. Events can have negative or, positive consequences,
Management	Refers to functional Manager of MARWASCO in charge of a, section
Process	Refers to a set of interrelated or interacting activities which transform inputs into outputs in order to achieve desired results
Risk	Risk is the effect of uncertainty of objectives.
Risk appetite	The amount of risk that the company is prepared to accept, tolerate or exposed to at any point in time
Risk assessment	The overall process of analysis and evaluation of a risk with regard to its consequence and the likelihood of being realized, and the selection of an appropriate risk response by the organization.
Risk culture	The set of shared attitudes, values and practices that characterize how the COMPANY considers risks in its day-to-day activities
Risk Drivers	These are the causes of risk events.
Risk indicator	These are measurements or parameters used by management to show how risky an event or activity is. They warn, the most obvious areas where problems may arise, thus the term Key Risk Indicators (KRI).
Risk profile/register	A documented and prioritized assessment of the range of specific risks faced by MARWASCO.
Risk Management Framework	The totality of the structures, methodology, procedures and definitions that COMPANY has chosen to use to implement its risk management processes.
Stakeholders	The person(s) or organizations that can affect, be affected or perceive themselves to be affected by a decision or activity of MARWASCO.

Corporate management Team Management	Refers to MARWASCO Managing Director and Head of Departments
Risk treatment	The selection of an appropriate method for dealing with risk. This will involve one or a combination of the six strategies defined below: transfer, accept/tolerate, treat, terminate, exploit and or transformation.
Risk response	<p>The set of actions that may be taken in response to a risk, as follows:</p> <ul style="list-style-type: none"> i. Transfer the risk: This may be done by the organization asking a third party to take on the risk. ii. Accept/tolerate the risk: The ability to take effective action against some risks may be limited, or the cost of taking action may be disproportionate to the potential benefit gained. In this instance, the only management action required is to monitor the risk to ensure that its likelihood or consequence does not increase. If new management options arise, it may become appropriate to treat this risk in the future. iii. Treat the risk: By far the greatest number of risks will be in this category. The purpose of treatment is not necessarily to terminate the risk, but, more likely, to set in motion a planned series of mitigation actions to contain the risk to an acceptable level. iv. Terminate the underlying activity: This is a variation of the “treat” approach, and involves quick and decisive action to eliminate or avoid a risk altogether. The introduction of new technology may remove certain existing risks, although it will often result in a new set of risks to be addressed. v. Exploit the risk: Opportunities can be exploited in a positive manner. vi. Risk Transformation: Transforming one risk type into another. For example, this will occur when a process is automated.

1.0 BACKGROUND

Incorporation

Marsabit water and Sewerage Company (MARWASCO) is a fully formed WSP owned by the County Government of Marsabit to undertake water supply and sewerage services in the country. It started its operations in July 2016 taking over the O&M and management of water supply facilities from the Sub-County Water Officers. The WSP is established under the Marsabit Water Service Act, 2018, aligning to the Water Act 2016. It is a Sole water service provider legally constituted under the County Government of Marsabit.



Location and Areas of Operation

Marsabit County is located in the extreme part of Northern Kenya and has a total area of 70,961.2 Sq.km. It has an international boundary with Ethiopia to the north, borders Turkana County to the west, Samburu County to the south and Wajir and Isiolo counties to the east. It lies between latitude 02o 45o North and 04o 27o North and longitudes 37o 57o East and 39o 21o East. MARWASCO is responsible for provision of water and sewerage services within Marsabit Township and other urban areas as may be determined by the County Executive Committee Members. Currently MARWASCO only serves Marsabit township, located in Central Ward, Saku Sub- County. Marsabit central ward covers an area of 1,583 Km² with a population of 51,426 and a population density of 32 persons/km² based on the 2019 census. MARWASCO sources its water from Bakuli dam, located 8km from the town in Marsabit forest. The dam has four reservoir components built from 1980's. The newly constructed 20m high Bakuli 4 dam,

funded by ADB, provides a storage capacity of 300,000 m³. It is designed to supply 1300 m³ of water per day for treatment and domestic use. Current abstraction however is 700m³/day. Water from the dam is then pumped (170m head) to the water treatment plant that utilizes a 20m³ Composite Filtration Unit (CFU). Thereafter the treated water moves via gravity to a reservoir before being supplied to the water kiosks, individual households, and institutions. The water supply within Marsabit town is distributed to 5 zones namely: Hospital Zone, Aja Tisa Zone, Madaraka Estate Zone, Old Town Zone, and Governors Line Zone. Future expansion plans are in place to provide water in the adjacent Sakale, Sagante and Jaldesa Wards. To meet the demand of water in other serviced areas in Marsabit town, the company has 5 Community Kiosks that serve residence by rationing.

Vision

"To be the leading Company in provision of water and sewerage services in Kenya"

Mission

"To improve quality of life by providing safe, reliable, adequate, and affordable water and sanitation services through commercially and environmentally sustainable approaches to the satisfaction of our customers and other stakeholders."

Organizational Core Values

- Transparency and accountability – MARWASCO will uphold integrity in all its work. It shall demonstrate accountability and engaging the customers, shareholders, shareholders, stakeholders, and development partners.
- Customer Focus – MARWASCO will offer quality services to all its customers and striving to be responsive to changes and needs of customers and stakeholders, and development partners.
- Respect for Diversity – MARWASCO will be sensitive to diversity and at all times seeking to harness the strength derived from it.
- Efficiency- MARWASCO is committed to ensure efficiencies in service delivery, sustainable utilization of available resources for the benefit of the present and future generations.
- Integrity, Professionalism, and Innovativeness- MARWASCO is committed to uphold integrity and professionalism in all its activities and embrace innovative approaches enhancing quality and sustainability of service delivery to customers and stakeholders.

Abstraction Compliance

To ensure compliance with the regulatory requirements of Water Rights and Works as outlined in The Water Act 2016, MARWASCO obtains water abstraction permit from WRA. This ensures that the WSP plays its vital role in ensuring management of water resources for optimal beneficial use of water for economic development of the country, ensuring fair share allocation and protecting the environment. The Water abstraction permit

Summary of Regulatory Compliance

- Water Abstraction Compliance issued by WRA
- Environmental Compliance issued by NEMA
- Operational License issued by WASREB
- Gazetted Tariffs Issued by WASREB

1 Objectives of COMPANY Risk Management Policy

1.1 Objectives

This document sets out MARWASCO regarding the management of all risks facing it. The document is the overriding policy for total risk management within the organization and is supported by more detailed risk management Sub-policies relating to each risk type and component of risk management.

The specific policy objectives are:

- To ensure that all the current and future risk exposures of MARWASCO are identified, assessed, quantified, appropriately mitigated and regularly evaluated.
- To establish a framework for the COMPANY 's Enterprise Risk Management process and to ensure its implementation
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices

1.2 Purpose of this policy

- The policy forms part of MARWASCO 's internal control and governance arrangements;
- The policy explains the underlying approach to risk management, documents the roles and responsibilities through the Audit, Risk and Compliance Department and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures;
- In addition, it describes the process the MARWASCO shall use to evaluate the effectiveness of its internal control procedures.

1.3 Policy Statement

The Management and Audit, Risk and Compliance Committee have a responsibility for overseeing risk management within the Company by ensuring that appropriate risk

management strategies, policies and infrastructures are in place, and that processes established are adequate and effective.

2.0 Objectives of Risk Management at MARWASCO

2.1 Risk Management Objectives

The objective of risk management for the company is to proactively identify, assess, and manage risks that could impact the achievement of its strategic objectives. Effective risk management allows a company to anticipate potential risks and take appropriate measures to mitigate or avoid them. The following are the main objectives of risk management for the company:

1. **Protect Assets:** Risk management aims to protect the company's assets, including its financial assets, physical assets, and intangible assets such as its reputation and intellectual property.
2. **Reduce Losses:** Risk management aims to minimize the financial losses that may result from unexpected events or adverse conditions, such as market fluctuations, natural disasters, or cyber-attacks.
3. **Improve Decision Making:** Risk management provides decision-makers with relevant information and insights to make informed decisions that can help reduce risks and achieve strategic objectives.
4. **Enhance Business Continuity:** Risk management helps ensure business continuity by identifying potential risks and developing strategies to mitigate them. This ensures that the company can continue to operate even in the face of unexpected events or adverse conditions.
5. **Increase Stakeholder Confidence:** Effective risk management can increase stakeholder confidence in the company's ability to manage risks and protect their interests.

Strategy

MARWASCO 's latest Strategic Plan 2022-2027 provides the road map for the 5-year period. The emphasis is to strengthen Enterprise Risk Management (ERM) for strong Internal Controls and Business Continuity.

3.0 Principles of Risk Management in MARWASCO

The risk management practices are based on the following underlying principles:

a) Integration

Risk management is an integral part of all organizational activities. It must be a key consideration in any strategy, plans or decision making that is developed

and carried out within the Company . It shall be an integral part of decision-making.

Integration shall cover Quality Management System under **ISO9001:2015** by ensuring that the documented standard operating procedures address the risk exposure within the company's processes. **Appendix A**

b) Structured and comprehensive Approach

A structured and comprehensive approach to risk management contributes to consistent and comparable results.

c) Customization

The risk management framework and process are customized and proportionate to the organization's external and internal context related to its objectives.

d) Inclusivity

Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results improved awareness and informed risk management.

Knowledge of risk and risk management within the Company should not be held within a small management group but rather must be spread across all Board of Directors and Employee. Risk management is the responsibility of all stakeholder and as a result, the company shall follow a decentralized approach to risk management.

e) Dynamism

Risks can emerge, change or disappear as an organization's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.

f) Best available information

The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations.

g) Human and cultural factors

Human behavior and culture significantly influence all aspects of risk management at each level and stage.

The responsibility for risk management is clearly defined and those responsible are fully accountable for the risks they are required to manage. Accountability will be achieved primarily by the collection and reporting of objective information to management and board of directors.

h) Continuous improvement

The risk management process requires a commitment to ongoing learning, review and improvement so as to maintain a robust, relevant and best practice risk management framework.

4.0 Scope of Risk Management in MARWASCO

COMPANY recognizes the following categories of risks, which are:

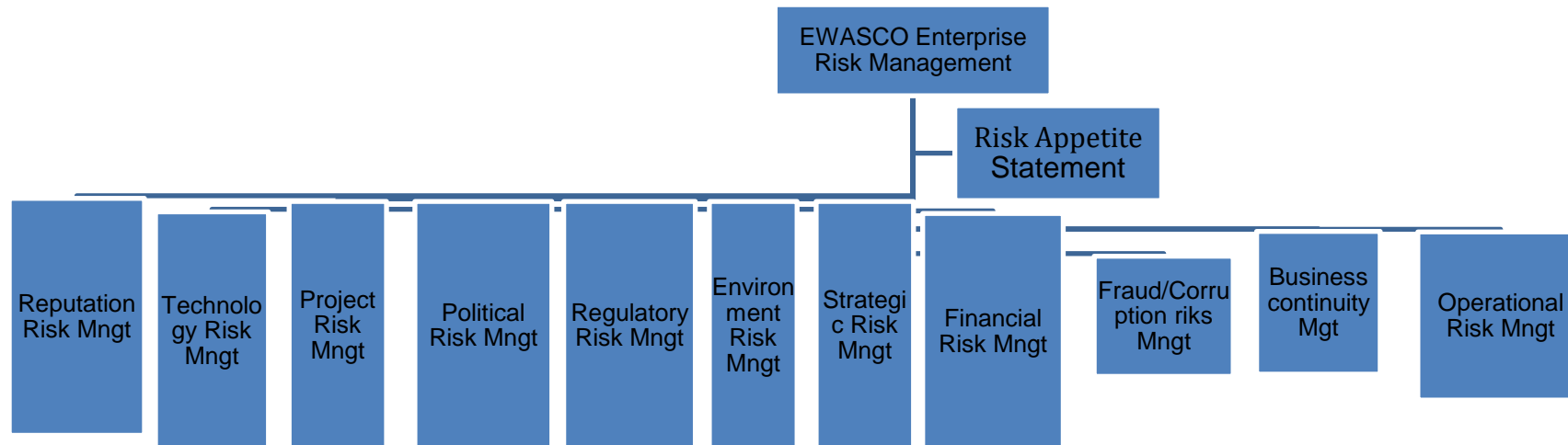
- I. **Operational Risk:** – It is the risk of loss from inadequate/ failed processes, people, systems or external events.
- II. **Business Continuity (Sustainability) Risk:** - This is where risks exceed an organization's risk appetite, and sets the stage for the likelihood of a disruption to the delivery of the organizations core services.
- III. **Fraud/corruption Risk:** - The risk that a perpetrator commits an act using deception and/or acts contrary to the interest of the company and abuses position of trust in order to achieve some personal gain.
- IV. **Strategic Risk:** The risk of:
 - a) Choosing and continuing to follow sub optimal strategies to meet objectives,
 - b) Not executing the strategies successfully, and
 - c) Changing the business-as-usual risks differently from expected.
- V. **Financial risk:**
 - a. **Credit Risk:** The risk of failure of water and sewerage service recipients to pay bills as and when they fall due;
 - b. **Liquidity Risk:** The risk of being unable to meet cash flow obligations as and when they fall due.
 - c. **Market Risk:** The risk of profit or loss from a future movement in market rates – i.e. foreign exchange risk, interest rate risk & price risk
- VI. **Environment/Social/Climate Change Risk:** Environmental risk is the threat of adverse effects on living organisms, the environment and communities as a result of climate change, effluents, emissions, wastes, resource depletion among others.
- VII. **Regulatory/Compliance Risk:** The risk of exposure to legal penalties, financial forfeiture and material loss that company faces when it fails to act in accordance with sector's laws and regulations, internal policies or prescribed best practices.
- VIII. **Political Risk:** Is the risk arising from political decisions, events, or conditions that significantly affect MARWASCO.
- IX. **Project Risk:** Is an uncertain event or condition that, if it occurs, has an effect on at least one project objective of company.
- X. **Technological Risk:** Is the risk associated to technology failures that could disrupt COMPANY operations.

- XI. **Reputation Risk:** is a risk of loss resulting from damages to a Company's reputation in; lost revenue, increased operating capital or regulatory costs or destruction of shareholder value, consequent to an adverse or potentially criminal event even if the company is not found guilty.

5.0 Policy framework & statements for Risk Management for MARWASCO

The framework of risk management related policies within MARWASCO are as follows:

Fig 1. Risk Management Policy Framework



All policies are based on, and comply with, the ISO 31000, 2018 International Risk Management Standard and applicable Kenyan regulations and guidelines and have been developed in a consistent and integrated manner. These policies are designed and linked together to form a robust risk management framework within MARWASCO.

6.0 Risk Management Framework

6.1 Overall risk management framework

The purpose of the risk management framework is to assist MARWASCO to integrate risk management into its activities and functions. The effectiveness of risk management depends on its integration into the governance of MARWASCO including decision-making which requires support from stakeholders.

The overall risk management framework follows **ISO 31000: 2018** Risk Management Standard as follows:

Fig 2. Overall Risk Management Framework



1. Leadership and Commitment

The Board of Directors has mandated management to develop a robust risk management framework that:

- a) Commensurate with the size of MARWASCO
- b) Designed to support MARWASCO strategies as laid down in the Strategic Plan 2021-2026
- c) Ensures compliance with all regulatory requirements and any other external requirements in line with accepted risk management standards

2. Integration

Integrating risk management shall be a dynamic and interactive process, and shall be customized to MARWASCO's needs and culture. Risk management shall be part of, MARWASCO purpose, governance, leadership and commitment, strategy, objectives and operations.

3. Design

When designing the framework for managing risk, the organization should examine and understand its external and internal context.

The Board of Directors and Corporate Management team(CMT) shall demonstrate and articulate their continuous commitment to risk management through a policy, a statement or other forms that clearly convey an organization's objectives and commitment to risk management.

The Board of Directors and CMT, shall ensure that the authorities, responsibilities and accountabilities for relevant roles with respect to risk management are assigned and communicated at all levels of the organization.

The Board of Directors and CMT and the Board of Directors, shall ensure allocation of appropriate resources for risk management.

The management shall establish an approved approach to communication and consultation in order to support the framework and facilitate the effective application of risk management. Communication involves sharing information with targeted audiences. Consultation also involves participants providing feedback with the expectation that it will contribute to and shape decisions or other activities.

4. Implementation

MARWASCO shall implement the risk management framework by:

- a) Developing an appropriate plan including time and resources;
- b) Identify risks, Assess the likelihood and impact it would create to the company
- c) Prioritize risks based on their likelihood.
- d) Maintain a risk register.
- e) Identifying where, when and how different types of decisions are made across the organization, and by whom;
- f) Modifying the applicable decision-making processes where necessary;
- g) Ensuring that the organizational arrangements for managing risk are clearly understood and practised.

5. Evaluation

In order to evaluate the effectiveness of the risk management framework, MARWASCO shall:

- a) Periodically measure risk management framework performance against its purpose, implementation plans, indicators and expected behavior;
- b) Determine whether it remains suitable to support achieving the objectives of the organization.

6. Continuous Improvement

MARWASCO is committed to maintaining a robust, relevant and good practice risk management principles adapting to internal and external changes. As such, it is committed to continually improve the suitability, adequacy and effectiveness of the Risk Management Framework and the way risk management processes are integrated.

6.2 Risk Management Process

The risk management process consists of the following key steps as illustrated below:

Fig 3. The Risk Management process

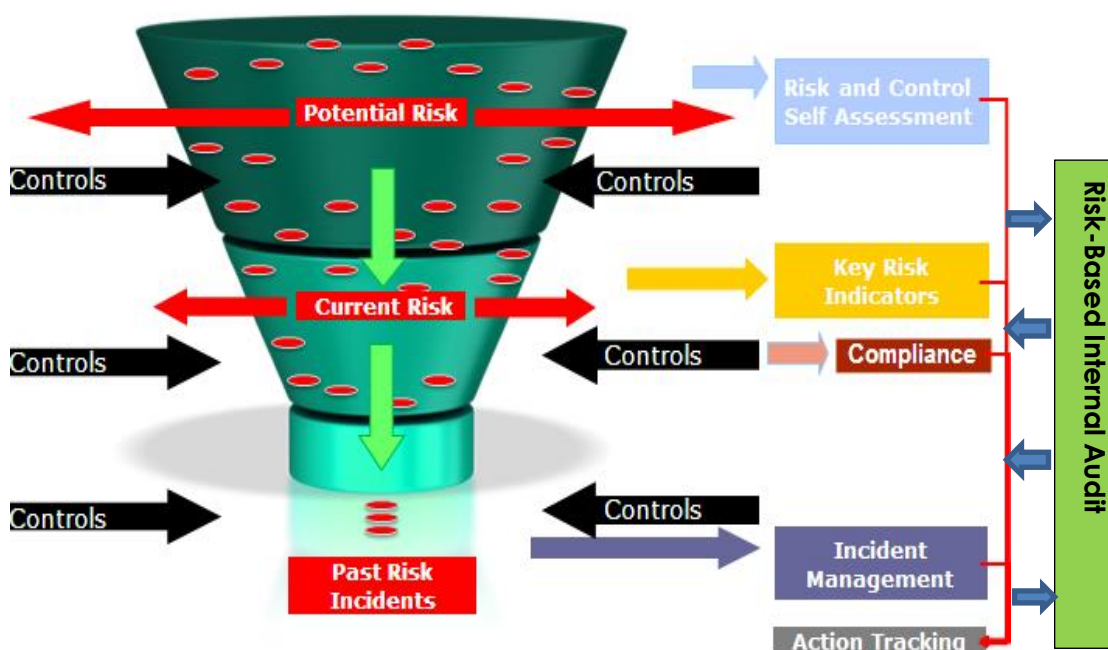


1. **Scope, Context, Criteria** – The starting point of any risk management within MARWASCO is to understand and establish the external, internal, and risk management context in which the rest of the process will take place. Criteria against which risk will be assessed should be established and the structure of the analysis defined.
2. **Identification** – Identify where, when, why, and how events could prevent, degrade, delay, or enhance the achievement of MARWASCO objectives.
3. **Analysis** – Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur.
4. **Evaluation** – Compare estimated level of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.
5. **Treatment** – Taking action to reduce risks that exceed the risk appetite / tolerance and in addition managing the level of risk within risk appetite /tolerance in order to optimize the level of risk within the organization
6. **Monitoring and reviewing** – Periodic monitoring and assessment of risks and the effectiveness of the treatment that have been adopted to mitigate those risks, are all steps of the risk management process. Risks and the effectiveness of controls and risk treatments need to be monitored to ensure changing circumstances do not alter priorities.
7. **Communication and Consultation** – Providing regular reports to **stakeholders**. This will consist of internal reporting to management and the board on the risks and risk management process.
8. **Recording and Reporting** – Formally recording and reporting throughout the risk management process.

6.3 Risk Management Methodology

An integrated approach to Risk Management will be adopted to ensure a single approach is adopted using the following key tools:

Fig 4. MARWASCO Risk Management Methodology



a. Risk and Control Self-Assessment:

Tool used to conduct adequate risk assessment consistent with the Risk Identification, Analysis, Evaluation and Treatment of risks as **per internal audit standard.**

b. Key Risk Indicators:

Important tool within risk management and are used to enhance the monitoring and mitigation of risks and facilitate risk reporting.

c. Incident Management:

Central systems to record and manage risk incidents when they occur for analysis of weaknesses and as a basis of data for future analysis. It is consistent with Monitoring and Review stage of **ISO 31000, 2018** Risk Management Process.

d. Action Tracking

Central systems to record and manage all actions within the organization. It is consistent with Monitoring & Review and Communicate & Consult stage of **ISO 31000, 2018** Risk Management Process.

e. Compliance Management

Proactive system to monitor Internal Compliance (compliance with internal controls **and ISO Standard operating procedures**) and External Compliance (compliance with external rules and regulations). It is consistent with Monitoring & Review and Communicate & Consult stage of **ISO 31000, 2018** Risk Management Process.

f. Risk Based Internal Auditing (RBIA)

Risk based internal auditing (RBIA) is the methodology which provides assurance to the Board of Directors that risk management processes are managing risks effectively i.e. risks are being managed to be within the organization's risk appetite. It is the methodology that links internal auditing to an organization's overall risk management framework.

The methodology consists of the five core internal audit roles which cover the risk management framework of the whole organization i.e. ERM:

- 1) Giving assurance that the processes used by management to identify all significant risks are effective.
- 2) Giving assurance that risks are correctly assessed (scored) by management, in order to prioritize them.
- 3) Evaluating risk management processes, to ensure the response to any risk is appropriate and conforms to the organization's policies.
- 4) Evaluating the reporting of key risks, by Managers to managing Directors.
- 5) Reviewing the management of key risks by managers to ensure controls have been put into operation and are being monitored.

7.0 ERM Governance & Structure

The FIVE lines of Defense

MARWASCO resolves to adopt **five** lines of defense approach to risk management across the organization as follows:

Fig 5. Five Lines of Defense



These are defined as follows:

1. Tone of the organization

MARWASCO recognizes that the culture of the organization is critical for successful risk management. The management therefore seeks to ensure the appropriate culture is integrated in all employees, practices and processes of the organization. The culture forms the first line of defense for risk management.

2. All staff and Internal Control System

MARWASCO staff and internal control environment) itself holds primary responsibility for the risks it faces. Risk is managed in each level of the organization by a range of controls and risk treatments options, which are exercised by the employee.

3. Risk Management and Compliance

Risk management itself constitutes the third line of defense and ensures that risks are being appropriately identified, analyzed, evaluated, treated, monitored and reported providing necessary support to the first and second lines of defense. A major focus is to ensure that the first and second lines of defense are adequate.

4. Internal Audit and Assurance

Internal Audit makes up the fourth line of defense. Internal audit is not responsible for risk management but is responsible for auditing the risk management function and the business. Internal Audit is an independent function providing assurance to the Board of Directors that risks are being managed effectively and are within its risk appetite and tolerance levels.

5. The Board of Directors

The Board is the last line of defense and is ultimately responsible for effective risk management in the organization.

8.0 ERM Structure (Enterprise Risk Management)

For effective risk management, a reporting and review structure shall be established in order to ensure that risks are effectively identified, assessed and appropriate controls and responses put in place.

In the structure we will have risk champions whose role is coordinating risk management activities and should be clearly defined and incorporated in their performance contracts.

9.0 Risk Management Training & Performance Review

Both Board of Directors and CMT must receive training in relation to the implementation and maintenance of the risk management framework. This training consists of, but is not restricted to training of:

- Board of Directors and CMT on the overall concepts and framework
- Managers and supervisors in the detailed operation of the framework and related systems
- Employees of lower cadre in overall awareness and responsibilities

Risk Management shall be incorporated in the annual performance for review of Employee. All employee will be expected to demonstrate their role in Risk Management and overall understanding of the subject matter.

10.0 Responsibilities for Risk Management

The ownership of risk management is recognized as an essential element of a robust risk management framework. The following sets out the relevant responsibilities and ownership of risk and risk management within MARWASCO:

10.1 Board of Directors

The Board of directors recognize that they are ultimately responsible for the sound and prudent management of the company and ensuring that an adequate and effective system of Risk Management and Internal Controls is established and maintained.

Specifically, they are responsible for;

- i. Ensure the development of a policy on risk management, which should take into account sustainability, ethics and compliance risks.
- ii. Set out its responsibility for risk management in the Board charter.
- iii. Approve the risk management policy and the risk management framework.
- iv. Delegate to management the responsibility to implement the risk management plan.
- v. Monitor those risks taken are within the set tolerance and appetite levels.
- vi. Review the implementation of the risk management framework on a quarterly basis.
- vii. Establish a risk management function within the organization.
- viii. Ensure that risk assessment is carried out on a continuous basis.
- ix. Receive from the head of internal risk and compliance committee, a written assessment of the effectiveness of the system of internal controls and risk management.

- x. Receive assurance from Management that the risk management framework is integrated in the daily activities of the organization.

10.2 Managing Director

The MD is:

- i. Accountable to the Board for the implementation of risk management framework.
- ii. Responsible for implementing the risk framework, including the establishment and maintenance of key controls and approval processes on all major business processes and functions.
- iii. To assume ownership of ERM, providing leadership and direction to senior management and setting the “tone at the top”.
- iv. To actively promote and be an advocate of a Risk Culture in the organization.
- v. Responsible for embedding risk management in the COMPANY 's processes in such a way that risks are effectively managed across the organization.
- vi. Responsible for systematically reviewing the underlying risks and assigning appropriate accountability to CMT.

10.3 Senior Management

Senior Management is responsible for:

- i. Implementing the risk management framework
- ii. Ensuring that the risk management processes are followed on a continuous and timely basis
- iii. Ensuring that MARWASCO complies with all external and internal rules, regulations, standards, policies and controls.
- iv. Fostering a risk management culture.
- v. Ensuring appropriate implementation of policies and procedures.
- vi. Maintaining and Updating Departmental Risk Register.
- vii. Taking appropriate measures to manage risks consistently and proactively.
- viii. Preparing reports on risk management activities in their respective business units and presents them to the MD.

10.4 Risk Champions

Risk Champions are typically line managers, or functional specialists who assume responsibility for designing, implementing, and/or monitoring risk treatments.

Risk Champions may be responsible for the following:

- i. Manage the risk they have accountability for

- ii. Review the risk on a regular basis.
- iii. Identify where current control deficiencies may exist;
- iv. Update risk information pertaining to the risk
- v. Escalate the risk where the risk is increasing in likelihood or consequence
- vi. Provide information about the risk when it is requested.

10.5 lower Cadre

All employees of lower cadre responsible for:

- i. Contributing to and being responsible for risk management and internal control processes in their respective areas.
- ii. Supporting the development and updating of the documentation of risks, identifying and assessing risks in their areas, and contributing to risk mitigation.
- iii. Effective management of risk including the identification of potential risks.

10.6 The Role of Internal Audit, Risk & Compliance

As the 3rd line of defense, the role of Audit risk and compliance department in the Enterprise risk management framework is to give assurance to the Board that risks are being managed within the Board's risk appetite.

- i. Giving assurance that the processes used by management to identify all significant risks are effective.
- ii. Giving assurance that risks are correctly assessed (scored) by management, in order to prioritize them.
- iii. Evaluating risk management processes, to ensure the response to any risk is appropriate and conforms to the organization's policies.

The Head of Internal Audit, Risk and Compliance being the person in charge of risk management and implementation should;

- i. Evaluates and monitors the implementation of risk management initiatives within the organization.
- ii. Work with risk owners to ensure that the risk management processes are implemented in accordance with agreed risk management policy and strategy.
- iii. Continuous review of all risk registers for consistency and completeness.
- iv. Provide advice and tools to employees, management, and Board of directors on risk management issues. including facilitating workshops in risk identification.
- v. Promote understanding and support for risk management, including delivery of risk management training.
- vi. Oversee and update organizational-wide risk profiles, with input from risk owners.

- vii. Ensure that relevant risk information is reported and escalated or cascaded, as the case may be, in a timely manner that supports organizational requirements
- viii. Attendance at Risk and Audit committees where risk management issues are discussed.

11.0 Setting Risk Appetite and Tolerance

11.1 Responsibility for setting risk appetite / tolerance

The Board of Directors is responsible for setting the risk appetite / tolerance for the organization.

The risk appetite / tolerance will be determined for each major risk type and documented in the Risk Appetite Statement document.

12.0 Interpretation of the Policy

The overall responsibility for interpreting this policy lies with the Head of Audit Risk and Compliance.

Appendix 1

List of relevant Regulations

1. Treasury Circular 3/2009: Institutional Risk Management Policy Framework (IRMPF)
2. The Guidelines on IRMPF 2011
3. ISO 31000:2018 Risk Management Standard
4. Mwongozo code of Governance
5. Water Services Regulatory Board (WASREB)