

2015/16

RISK MANAGEMENT STRATEGY



MATJHABENG LOCAL MUNICIPALITY

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- Including risk management as part of employees' performance appraisals; and operational practices;
- Introducing risk management components into existing strategic planning and aligning risk management with objectives at all levels of the organization;

making structures:

The following factors require consideration when integrating ERM into organizational decision uncertainty of associated risk and opportunity, thereby enhancing its capacity to build value. The entity's objectives. The framework provides a basis for management to effectively deal with the return goals and related risks, and effectively deploys resources in pursuit of when management sets strategy and objectives to strike an optimal balance between growth associated risk and opportunity, enhancing the capacity to build value. Value is maximized enterprise risk management enables management to effectively deal with uncertainty and

good business practice applicable to the public and private sectors.

sound organizational management and is being promoted internationally and in South Africa as portfolio of activities. Enterprise Risk Management is therefore recognized as an integral part of to their activities with the goal of achieving sustained benefit within each activity and across a is the process whereby an entity both methodically and intuitively addresses the risk attached Enterprise Risk Management (ERM) forms a critical part of any entity's strategic management. It environment, as well as make informed decisions under conditions of uncertainty.

The realization of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardize the direct interests of stakeholders. Sound management of risk will enable us to anticipate and respond to changes in our service delivery municipality.

Effective delivery expectations of the public and the municipality expectations within the service delivery is imperative for the municipality to fulfill its mandate, the

The municipality will review and update its Risk Management Strategy on an annual basis.

National Treasury and also follows the guidelines as stipulated in ISO 31000/2009 to implement Enterprise Risk Management.

The municipality utilizes the proposed Risk Management Framework as formulated by

the municipality. The Risk Management Strategy guides the activities of Council, Municipal Manager, and the Risk Management Committee (RMC). Risk Management section as well as the risk owners and action owners. The municipality acknowledges that there are different risk management models and frameworks that institutions can implement in order to manage their risks.

1. INTRODUCTION

The Occupational Health and Safety Act (No. 85 of 1993)

floods, terrorism and other incidents that could affect public safety and security. That impact on the health and safety of citizens or on major disasters such as cyclones, capacity, to ensure that such risks are mitigated. Typically these will focus on those risks 47 is to undertake a risk assessment and to take adequate steps, within its financial Centre. One of the responsibilities of the Disaster Management Centre in terms of Section it requires that every metropolitan and district municipality set up a Disaster Management

The Disaster Management Act (No. 57 of 2002)

documents must be formulated and approved by Municipal Councils. Develop appropriate policies regarding independence, credit control and tariffing. Policy performance management system to support and monitor the IDP implementation process; consultation processes; implement their integrated Development Plans (IDP) through a Have an inclusive system of municipal governance by setting out the community audit committee on risk and risk management, amongst other legislated responsibilities.

Municipal Finance Management Act Section 165(2) (b) (IV) requires that the Internal Audit function, which every municipality must have, must advise the Accounting Officer and the audit committee on risk and risk management, amongst other legislated responsibilities.

It requires the Accounting Officer to ensure that the municipality effective, efficient and transparent systems of financial and risk management that is supported by a system of internal control.

Municipal Finance Management Act (Act No. 56 of 2003 sections 62(1) (c))

organisations in the matters of local government.
e) to encourage the involvement of communities and community
d) to promote a safe and healthy environment; and
c) to promote social and economic development;
manner;
b) to ensure the provision of services to communities in a sustainable communities;
a) to provide democratic and accountable government for local municipalities –

The Constitution of the RSA Act 108 of 1996 Section 152- Objects of local government, confers the following areas of responsibility on local

2. LEGISLATIVE REQUIREMENTS AND GUIDELINES

- Continuously improving control and accountability systems and processes to take into account risk management and its results.

building.

Fire Brigade Act 99 of 1987 – this Act is there to regulate all fire hazard conditions in high-rise buildings, fire escape route and the minimum flammable liquids to be kept in the building.

National Archives Act 43 of 1996 - the Act states that all state documents especially closed classified documents are to be stored safe at the National archives.

Security officers.

Protection of Information Act 84 of 1982 – the Act regulates the occupational class of

The Risk IT Framework Excerpt base on COBIT - the risk IT framework complements ISACA's COBIT, which provides a comprehensive framework for the control and governance of business-driven information-technology-based (IT-based) solutions and services.

ISO 3100 was published in 2009 as an internationally agreed standard for the implementation of risk management principles.

bottom

Taken into account a municipal context it means that these traits have to be evident in fairness and social responsibility as the seven primary characteristics of Good Governance.

The King Report lists discipline, transparency, independence, accountability, responsibility, and social responsiveness as the seven primary characteristics of Good Governance.

King Report on Corporate Governance, 2002 (King II).

Municipalities can apply the Risk Management Framework as their core risk management guideline or as a supplementary reference where guidelines already exist for internal use.

National Treasury in conjunction with the Public Service Commission to strengthen risk This framework is a risk management best practices guideline which was developed by management practices in the public service.

National Treasury Final Risk Management Framework for the public sector.

Any municipality that fails to do that will be held liable irrespective of whether the incident/damage occurred through np fault of theirs.

States that municipalities as employers are expected to ensure that their employees use hazardous substances in a manner that does not endanger themselves or the public.

Hazardous Substances Act (No. 15 of 1973)

with it.

Work is broken down into general work and listed work as declared by the minister. The latter is recognised as having a higher risk rating due to the extremity of hazard associated with it.

- interests.
 - a register of key risks that could affect shareholder and relevant stakeholders;
 - an alignment of assurance that could affect shareholder and risk profile; and
 - a documented system of internal control and risk management;
 - a system of documenting the costs of non-compliance and losses;
 - a system of documented risk communications;
 - a demonstrable system of risk mitigation activities;
 - a commitment by management to the process;
 - a demonstrable system of dynamic risk identification;
- A systematic, documented assessment of the processes and outcomes surrounding key risks should be undertaken at least annually.
- The institution should develop a system of risk management and internal control that builds robust business operations. The systems should demonstrate that the key risks are being managed in a way that enhances shareholders' and relevant stakeholders' interests. The system should incorporate mechanisms to deliver:
 - should be undertaken at least annually.

Principles for South Africa:

The following recommendations are made in Section 3 of the King III Report on Governance

Corporate Governance Principles

Intelligence Services Act 38 of 1994 – to regulate the establishment, organisation and control of the National Intelligence Agency and the South African Secret Services, and to provide for matters connected therewith.

- The objectives of Risk Management Strategy are as follows:
 - To focus the energies of all role players into an effort to manage/mitigate risks of the municipality to successfully ensure successful achievement of operational and strategic objectives and improve the quality of services rendered in terms of Integrated Development Plan (IDP) and Service delivery Budget Implementation Plan.
 - To provide and maintain a working environment where everyone is following sound risk management practices and is held accountable for achieving results;
 - Value for money and afford approach, risk should be managed in accordance with the combined "impact and likelihood" value of a risk in order to ensure appropriate and economical investment of time, effort and resources.
 - To provide municipality with the framework on which the employees will utilise to implement risk management;
 - To provide municipality and create a conducive working environment in ensuring that everyone has the capacity and resources to carry out his or her risk management responsibilities;
 - To ensure that risk management activities are fully integrated into the planning, monitoring and reporting processes and into the daily management of program activities.
 - To ensure that everyone has a clear understanding of the objectives of the Municipality and factors that could impact on the Municipality's ability to meet those objectives, the actions necessary to ensure objectives are met.

The risk management strategy will serve to inform the risk management policy, it is therefore imperative to read the Risk Management Strategy in conjunction with the Risk Management Policy.

3. RISK MANAGEMENT POLICY

A process that involves identifying the most probable threats to the Municipality and analyzing the related

Risk Analysis:

achieve ment of entity's objectives."
appe tive, to provide reasonable assurance regarding the entity, and manage risk to be within its risk designed to identify potential events that may affect applied in strategy setting and across the enterprise, Council, Executive Management and other personnel, and systematic process, effected by the Municipal Enterprise risk management is a continuous, proactive

Enterprise Risk Management:

municipal objectives.
reasonable assurance regarding the achieve ment of risks to be within its risk tolerance, to provide events that may affect the municipality, and manage across the municipality, designed to identify potential and other personnel, applied in strategic planning and executive authority, accounting officer, management systematic process, effected by a Municipal

Risk Management:

continuously improve capacity for delivering on their and inefficiency, reduce shocks and crises and to anticipate and manage risks in order to eliminate waste performance. Stakeholders expect Municipality to as missed opportunities to enhance institutional Municipality as negative impacts on goals and objectives or institutions pursuit of its goals and objectives. Risk occurrence in the future, which could undermine the focus on planning to deal with factors that may impact the objectives of the organization.

Risks:

5. DEFINITIONS

municipality and provide an early warning signal.

4.1.1 Focus on planning to deal with factors that may impact on the objectives of the

- Ensure opportunities are not missed and surprise costs don't arise on the results.
- To ensure there is improved accountability that the management of risks is monitored and reported on, and that action is taken based

| | | |
|---|------------------------------|---------------------|
| | Municipal Manager | Accounting Officer: |
| The Risk Owner is a person who supports the risk management process in a specific allocated component and ensures that the risk is managed and monitored over time. | Risk Owners: | |
| A person who by virtue of his/her expertise or authority champions a particular aspect of the risk management process, but who is not necessarily the risk owner. | Risk Champions: | |
| The process of monitoring and assessing the presence and functioning of the various components over time. | Monitor: | |
| The process concerned with determining how the Municipality will mitigate the risks it is confronted with, through consideration of alternatives such as risk avoidance, reduction, risk sharing or acceptance. | Risk Response: | |
| Any potential obstacles that may impact on the ability of the Municipality to achieve its strategic objectives. | Strategic Risks: | |
| The risk that remains after all efforts have been made to mitigate or to eliminate the risk that the municipality is exposed to. | Residual Risk: | |
| The probability of risk occurring or existing in the Municipality in the absence of any existing action to control or modify the circumstances. | Inherent Risks: | |
| The process concerned with identifying events that produce risks that threaten the achievement of objectives. | Risk Identification: | |
| The process concerned with determining the magnitude of risk exposure by assessing the likelihood of the risk materialising and the impact that it would have on the achievement of objectives. | Risk Assessment: | |
| Vulnerability of the Municipality to the threats. This includes risk assessment, risk characteristics, risk communication, risk management, and policy relating to risk. | MLM Risk Management Strategy | |

| | | |
|------------------------------|--|--|
| MLM Risk Management Strategy | Audit Committee: | An independent committee constituted to review implementation and monitoring the process of risk management, responsible for designing, implementing section 166 of the MfMA. |
| Risk Management Committee: | The committee responsible for designing, implementing and monitoring the process of risk management. | The committee responsible for designing, implementing and monitoring the process of risk management. |
| Internal Audit: | An independent audit committee constituted to review the effectiveness of risk management processes. | An independent audit committee constituted to review the effectiveness of risk management processes. |
| Executive Authority: | The Municipal Council | The Municipal Council |
| Framework: | National Treasury's Public Sector Risk Management Framework, published 01 April 2010. | National Treasury's Public Sector Risk Management Framework, published 01 April 2010. |
| Process element approach: | Ensures that each element of the risk management process is in place. | Ensures that each element of the risk management process is in place. |
| Risk Appetite: | The amount of residual risk that the municipality is willing to accept in pursuit of achievement of its strategic objectives. | The amount of residual risk that the municipality is willing to accept in pursuit of achievement of its strategic objectives. |
| Risk Tolerance: | The amount of uncertainty an organisation is prepared to accept in total; or more narrowly within a certain business unit, a particular risk category or for a specific risk initiative. | The amount of uncertainty an organisation is prepared to accept in total; or more narrowly within a certain business unit, a particular risk category or for a specific risk initiative. |
| ISO 31000: | International Organisation for Standardisation standard for the implementation of risk management principles. | International Organisation for Standardisation standard for the implementation of risk management principles. |
| MLM: | Matthabeng Local Municipality | Matthabeng Local Municipality |
| CRO: | Chief Risk Officer | Chief Risk Officer |

6.1.1 Profile the context

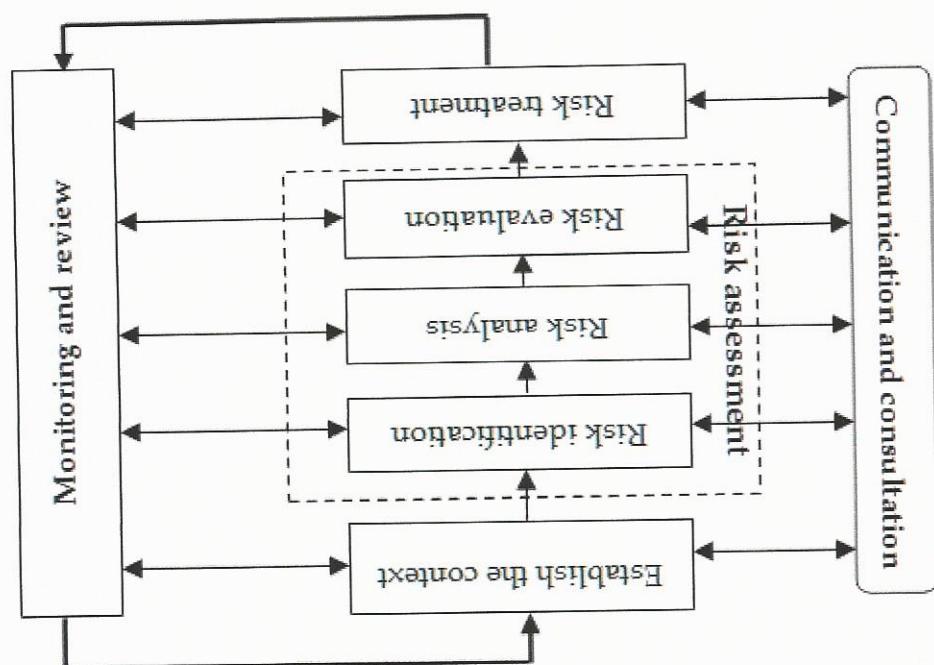
management, it provides discipline and structure.

Creating an enabling environment and establishing context is the foundation of risk

the effective functioning of risk management.

The Accounting Officer is responsible for ensuring that the institutional environment supports

6.1 Step 1- Establish the context



management processes (based on ISO 31000)

The risk management framework of the Municipality will be depicted as follows: Risk

ERM is a broad-based application of risk management in all major functions and activities of the institution, rather than only in selected areas, to isolate the material risks. ERM often highly interdependent and need to be managed through a portfolio approach rather than as separate and static events, to achieve comprehensive and integrated attention.

best to identify, analyse, evaluate and monitor those activities.

The Risk Management Framework provides a disciplined and structured process that integrates information and risk management activities into a step by step process on how

6. RISK MANAGEMENT FRAMEWORK

6.1.3 Risk Management Environment and Profile the stakeholders of the Municipality

- Revenue and expenditure targets;
- Human Resource targets
- Infrastructure Project targets;
- Communication targets;
- Local Economic development targets;
- Integrated development planning;
- Corporate governance targets;
- Consumer objectives and targets;
- Socio economic targets; and
- Other business objectives.

consideration:

The profile of the individual directors / departments objectives should take into

the chosen objectives.

that the organization has and maintains an effective process to identify risks inherent in service delivery implementation plan (SDIP). Therefore risk management will ensure such objectives will be derived from the municipality's integrated development Plan (IDP) strategic, operational and project objectives will be used in the risk identification process. Support and align with the municipality's mission and are consistent with its risk appetite. Management has in place a process to set objectives and that the chosen objectives

appropriate, economical, efficient and equitable.

consistent with the municipality's constitutional mandate so that it services are achievable. The Accounting Officer/Council should establish objectives that are objectives must exist before management can identify potential events affecting their

6.1.2 Objective setting and Profile of the objectives of the directors / departments

- Business environment;
- Total size of the core / support services;
- Key players;
- Service portfolios;
- Key suppliers; and
- Market's driving forces.

should include amongst others:

outputs of assessing the process of profiling the municipality's context should be documented, be a summary of the internal, external and risk management environment and outcomes of profiling the municipality's context. The risk assessment processes begin with the profiling of the Municipality context. The

- Professional bodies.
- Preferred suppliers; and
- Assurance Providers
- Employee organizations;
- Provincial Government;
- Business;
- Consumers;
- Councillors;
- Community;

Stakeholders of the municipality may include the following:

- whole of South Africa.
- political nuances and cannot be addressed in the same manner across the same basic services they vary due to unique geographical, social and although municipalities are of a similar nature and are responsible to deliver practical principles and some are inherent to Matjhabeng Local Municipality.
- Some of these factors are compulsory, others meet good governance or best practice (I, II, III)
- Technology, fleet management, debt collection, Procurement, etc)
 - Systems (enterprise risk management architecture such as information
 - Skill levels (internal and external)
 - Affordability (budget)
 - Assets (infrastructure, land, buildings, etc)
 - Natural disasters and natural assets (gifts)
 - The local, national and international economy
 - Third party services providers such as Eskom
 - District Municipality
 - National Government, Free State Provincial Government and Lekwaleputswa visitors, ward committees, staff, etc.
 - The whole community including residents, businesses, farmers, government,
 - Unfunded mandates
 - Legislation and guidelines

municipality will address risk management are;

Factors within the municipal environment that impact directly on how the

requires a complete review of current policies, practices and assumptions.

within the Municipality it is important to identify the environment within which the municipality operates. Risk management environment has altered substantially and in order to ensure the inclusion of all the factors impacting on Risk Management

Risk Assessment - is a systematic process identify and to quantify or qualify the level of risk and the impact of its occurrence on the municipality's objective(s) it is likely to affect. In an equal manner, Risks will be assessed on the basis of the likelihood of the risk occurring most important risks as the institution is not expected to have the capacity to deal with all risks associated with a specific threat or event, to enrich the risk intelligence to prioritise the institution. The main purpose of risk assessment is to help the municipality to identify available to the associated with a specific threat or event, to enrich the risk intelligence to prioritise the institution.

The next part of the risk management process is to identify potential events will negatively impact the organisation from achieving its objectives.

The deliverable of steps 1.1 to 1.1.4 will result in a business / dependency profiles of the Municipality and its related activities.

- The deliverable of steps 1.1 to 1.1.4 will result in a business / dependency profiles of the Municipality and its related activities.
- Inherent and cyclical processes such as budgeting, information systems and staffing matters must be incorporated into the Municipality's risk profile.
- Outgoing processes such as public relations, investments and branding should be profiled.
- Incoming actions such as recruitment, purchasing and procurement must be identified.
- The drivers of the Municipality's processes and the key features of these processes must be identified and interpreted.
- The processes that generate cash must be profiled.

The key activity chains must be profiled and documented. The service delivery processes must be profiled. The drivers of service delivery processes and the key features of these processes must be identified and interpreted. For example:

6.1.5 Profile the key processes

Different strategies will expose the Municipality to different risks. When mapping the strategy should be aligned with the Municipality's risk appetite. May be the strategic direction of the Municipality. Growth tactics must be profiled. For example, investments into technology (for example, upgrading of the IT system) may be seeking to differentiate.

The Municipality's strategy must be specifically verified and interpreted in the context of risk. This is incorporated in the 5 year integrated development plan. The future direction and intent of the Municipality must be understood. The Municipality

6.1.4 Map the Municipality's strategy

Events potentially either have a negative impact, a positive impact or both. Events that have a potentially negative impact represent risks, which require management assessment and response. Accordingly, risk is defined as the possibility that an event will occur and adversely affect the achievement of objectives.

An entity's risk identification methodology will comprise a combination of techniques together with supporting tools. Risk identification techniques look to both the past and the future. Techniques that focus on past events and trends consider such matters as payment default histories, overspending patterns, fraud and corruption and historic poor service delivery. Techniques that focus on future exposures consider such matters as shifting demographics, new laws and regulations and the impact of HIV on the resident population.

- Technology;
- Human resource capacity; and
- Policies, procedures and processes;
- Infrastructure;
- Values and ethics;
- Level of transparency required;
- Governance and accountability frameworks;
- The overall management framework;

Internal factors reflect management's choices and include such matters as:

- Technical;
- Social: major demographic and social trends, level of citizen engagement; and
- Economic: international, national markets and globalizations;
- Political: the influence of international governments and other governing bodies;

Some external factors to be considered for potential risks include:

During of risk identification process, management considers external and internal, as well as financial and non-financial factors that influence the entity's policy and management agenda. Identifying major trends and their variation over time is particularly relevant in providing early warnings.

6.2.1 Risk identification is a deliberate and systematic effort to identify and document the institution's key risks. The objective of risk identification is to understand what is at risk within the context of the institution's mandate, degradate, delay or enhance the achievement of the objectives.

6.2 Step 2- Risk Identification

- National and international events;
- Political interventions;
- Socio-political changes, like elections;
- Changes in the economic conditions;
- Commercial/legal changes;
- Outsourcing to external service providers;
- Disposal or cessation of current activities;
- New activities and services;

6.2.4 Possible Sources of Risk

- An effect (i.e. impact on achievement of business objectives)
- A cause (i.e. any event or action)

6.2.3 A risk has two attributes that must be articulated as following:

- Operational modeling.
- Work breakdown structure analysis; and
- (HAZOP) studies;
- Analysis, systems engineering techniques e.g. Hazard and Operability
- Flow charting, system design review, systems;
- Strengths, weaknesses, opportunities, threats (SWOT) analysis;
- Decision trees;
- Scenario analysis;
- Databank of risk events which have occurred;
- Incident, accident and injury investigation;
- Examination of past MLM and other public entity experiences;
- History, failure analysis;
- Judgmental – speculative, conjectural, intuitive;
- Networking with peers, industry groups and professional associations;
- Examination of local and/or overseas experience;
- Survey, questionnaires, Delphi technique;
- Brainstorming;
- Audits or physical inspections;
- Interview/focus group discussion;

6.2.2 Possible methods of identifying risks:

Events with a potentially positive impact represent opportunities or offset the negative impact of risks. Those representing opportunities are channelled back to management's strategy or objective-setting processes, so that actions can be formulated to seize the opportunities, whereas events potentially offsetting the negative impact of risks are considered in management's risk assessment and response.

The categories to be used by the municipality are as follows:

An important step in developing a common Municipal risk language is to classify risks identified in various categories.

In order to integrate risk management into other management processes, the terminology should be easily understandable by program managers. By developing a common Municipal risk language, program managers can talk with individuals in terms that everybody understands.

6.2.6 Risk classification

Project risk identification to identify risks inherent to particular projects - project risks should be identified for all major projects, covering the whole lifecycle and for long term projects, the project risk register should be reviewed at least once a year to identify new and emerging risks.

Operational risk identification to identify risks concerned with the institution's operations. Operational risk identification should seek to establish vulnerabilities introduced by employees, internal processes and systems, contractors, regulatory authorities and external events;

Strategic risk identification to identify risks emanating from the strategic choices made by the institution, specifically with regard to whether such choices weaken or strengthen the institution's ability to execute its Constitutional mandate

6.2.5 Focus points of risk identification

- | | | | | | | | | | | | |
|---------------------------|---|------------------------------|-------------------------------------|---|--|--------------------------------|---------------------------------|------------------|---|---------------------|---------------------------------------|
| Personal/human behaviour; | Behaviour of contractors/private suppliers; | Financial/market conditions; | Management activities and controls; | Technology/technical changes, i.e. new hardware and software implementations; | Operational (the activity itself) changes; | Service delivery interruption; | Occupational health and safety; | Property/assets; | Security (including theft/fraud/impersonation); | Natural events; and | Public/professional/product liability |
|---------------------------|---|------------------------------|-------------------------------------|---|--|--------------------------------|---------------------------------|------------------|---|---------------------|---------------------------------------|

| Strategic Issues | MLM Risk Management Strategy |
|---|---|
| Corporate governance Business continuity planning Service delivery Management responsibility Strengthened procedures Communication / Public Relations / Reputation management Organisational Structure / Change Management External risks - These risks are caused by external factors. MLM cannot control these risks but needs to evaluate these risks and implement the appropriate actions. | Risk of obsolescence of infrastructure, dependency in integration, systems development and testing, disaster recovery, successional planning of applications, integrity of data, accurancy, confidentiality, availability and systems/networks and the loss of failures/inadequacies in software and hardware, systems development and testing, budget and forecasting, fixed asset control, internal control, financial reporting of assets and funds, misappropriation of assets and funds, inadequate management of the MLM will encounter difficulty in raising funds to meet commitments and finance function. |
| Technology risks - Technology risk is the risk of obsolescence of infrastructure, dependency in integration, systems development and testing, disaster recovery, successional planning of applications, integrity of data, accurancy, confidentiality, availability and systems/networks and the loss of failures/inadequacies in software and hardware, systems development and testing, budget and forecasting, fixed asset control, internal control, financial reporting of assets and funds, misappropriation of assets and funds, inadequate management of the MLM will encounter difficulty in raising funds to meet commitments and finance function. | Recruitment risk Remuneration Training, skills and career planning Succession planning Equity Acting in a way not appropriate for professionals Transgression of staff rules is the risk of actions to/by employees. |
| Human Resources - Human resource risk Recruitment risk Remuneration Training, skills and career planning Succession planning Equity Acting in a way not appropriate for professionals Transgression of staff rules Legal risk - Legal risk is the risk that the MLM will be exposed to contractual regulations which have not been provided for or the inability to effect the required legal finding and action to protect the financial market. | Contracts Regulatory / Statutory Compliance Litigation Enforcement External role Players Documentation Document availability and completeness protect the financial market. |

Authorisation:

- Transition approvals and delegation of authority

Examples:
occurring

6.3.1 Preventative Controls

Preventative Controls are controls that can deter undesirable events from

The municipality has developed their controls to complement each other and ensure mitigation of risks to an acceptable level. The categories of controls are as follows:

The first thing that needs to be done is to ascertain the effectiveness of existing controls that act to mitigate negative risks or enhance positive risks. Such controls may take the form of policies, procedures, management activities and instructions. The gap between existing control effectiveness and desired effectiveness must result in an action plan.

Risk analysis determines existing controls and analyse risk in terms of impact and likelihood in the context of those controls. This provides information on what action needs to be taken on the risks that have been identified.

6.3 Step - 3 Risk analysis

| | |
|--|---|
| Operational risk - Operational risk is the risk that there is a loss as a result of service delivery | <ul style="list-style-type: none"> • Business processes • Regulatory trends • Procurement / Budgeting / Funding / failures/inadequacies in e.g., procedures, office space, personnel, electricity supply, and business relations. This includes losses as a result of errors, omissions and delay. |
| Natural hazards | Risks arising out of natural hazards such as floods, wildfires, earthquakes, hurricanes, thunderstorms, or snowstorms. |
| Acts or omissions by third parties | Risks arising from the acts or omissions of those outside the government |
| Acts, laws or regulations | Risks arising from the implementation of laws and regulations that apply to the government and affect how it conducts its business. |
| Dependence on outside suppliers | Risks arising from the municipality's dependence on outside suppliers of goods, services, and utilities. |

MLM Risk Management Strategy

2015/16

Physical:

- Security of assets
- Access controls

Accounting:

Detective controls are designed to detect undesirable events that have occurred

Segregation:

- Authorisation vs custodial function

Example:

- Documentation Controls
- Control Accounts
- Reconciliations
- Validity
- Accuracy
- Completeness

Physical/Logical Access:

- Security of records and data
- Access controls

Management Information:

- Budget
- Monthly management accounts
- Analytical review

System control:

- Data recovery
- Data updates

Corrective Controls are controls that would detect and automatically rectify or irregularity

| Public perception of entity | The impact of an event on the degree of cooperation the public is Municipality and on the degree of cooperation the public is |
|-----------------------------|---|
| Service delivery | The impact of an event on the municipality's ability to deliver services. |
| Human resources | The impact of an event on the municipality's workforce. |
| Material resources | The impact of an event on the material resources—such as assets and property—that a government uses in the activities that are critical to its mission. |
| Financial resources | The impact of an event on the municipality's financial stability and ability to maintain funding for the activities that is critical to its mission. |

Impact categories: Per risk identified, the impacts are assessed for each of the following

The National Treasury Risk Management Framework prescribes the following methodologies for risk analysis and such methodologies have been adopted by the municipality in this effect.

The municipality will place reliance on both external and internal audit assessments of internal control effectiveness.

| Effectiveness Category | Category definition | Factor | Received controlled effectiveness criteria designed by CRO |
|------------------------|---|--------|---|
| Very good | Risk exposure is effectively controlled and managed | 20% | Risk exposure is effectively controlled and managed |
| Good | Majority of risk exposure is effectively controlled and managed | 40% | Majority of risk exposure is effectively controlled and managed |
| Satisfactory | There is room for some improvement | 65% | There is room for some improvement |
| Weak | Some of the risk exposure appears to be controlled but there are major deficiencies | 80% | Some of the risk exposure appears to be controlled but there are major deficiencies |
| Unsatisfactory | Control measures are ineffective | 90% | Control measures are ineffective |

Analyses will be done:

Once existing controls have been identified their adequacy and effectiveness have been assessed using the following received controlled assessment criteria risk and impact

| Impact criteria that will be used by municipality to rate risks: | | | | | | |
|--|----------|-----------------------|--------------------------------|---|---|---|
| Rating | Severity | Continuity of Service | Safety & Environment | Financial | Risk event | Objectives |
| 5 | Critical | Major | Significant cost overruns >20% | Will result in environmental damage, Serious injury (permanent disability) or death of a person, Major disruption in and lengthy delay that are of critical importance to the achievement of objectives | Negative outcomes or missed opportunities | Delivery of greater than 48hrs of stakeholders to deliver service to person, Major negative media coverage that are of greater than 48hrs |
| 4 | Major | Significant injury | Significant cost overruns | Significant disruption of a period between 10% and 20% over budget (higher of income or damage). Significant environmental damage. | Negative outcomes or missed opportunities | Reduction in supply or disruption of a person that is likely to have a range of significant budgetary impact on the achievement of objectives |

| | |
|--|--|
| Public | The impact of an event on the public |
| Environment | The impact of an event on the environment and people who use it. |
| Liability to third parties | The impact of an event on the Municipality's liability to third parties. |
| Willing to give in conducting the activities that are critical to its mission. | Willing to give in conducting the activities that are critical to its mission. |

| Rating | Likelihood | Description |
|--------|----------------|---|
| 5 | Almost certain | The risk is almost certain to occur more than once within the next 12 months. (Probability = 100% p.a.) |
| 4 | Likely | The risk is almost certain to occur once within the next 12 months. (Probability = 75 - 100% p.a.) |
| 3 | Moderate | The risk could occur at least once in the next 2 - 3 years. |
| 2 | Unlikely | The risk could occur at least once in the next 3 - 4 years. |

Likelihood criteria that will be used by municipality to rate risks:

| | | | | | | | | | | | | |
|---|---------------|---------------|--|--|---|---|---|--|---|--|--|--|
| 1 | Insignificant | Insignificant | Financial loss | Impact on environmental, safety or health impacts and/or business or core systems | Negative media coverage | That are likely to have a relatively low impact on the ability to meet objectives | Ability to meet impact on the relative low impact on the ability to meet objectives | Impact on operational assets with minor impact on the ability to meet objectives | Impact on infrastructure that are likely to have a minor impact on the ability to meet objectives | Impact on opportunities missed to have a minor impact on the ability to meet objectives | Impact on opportunities missed to have a minor impact on the ability to meet objectives | Impact on opportunities missed to have a minor impact on the ability to meet objectives |
| 2 | Minor | Little | Minor impact on budget (higher budget) | Impact on health of income or expenditure limited to have a minor impact on the ability to meet objectives | Coverage of an asset with minor impact on the ability to meet objectives | Loss of an asset with minor impact on the ability to meet objectives | Impact on operations that are likely to have a minor impact on the ability to meet objectives | Impact on opportunities missed to have a minor impact on the ability to meet objectives | Impact on opportunities missed to have a minor impact on the ability to meet objectives | Impact on opportunities missed to have a minor impact on the ability to meet objectives | Impact on opportunities missed to have a minor impact on the ability to meet objectives | Impact on opportunities missed to have a minor impact on the ability to meet objectives |
| 3 | Moderate | Reduced | Lower level | Impact on environmental, safety or health impacts and/or business or core systems | Coverage of an asset with moderate impact on the ability to meet objectives | Between 8 - 23hrs over a regional area | Impact on opportunities missed to have a moderate impact on the ability to meet objectives | Impact on opportunities missed to have a moderate impact on the ability to meet objectives | Impact on opportunities missed to have a moderate impact on the ability to meet objectives | Impact on opportunities missed to have a moderate impact on the ability to meet objectives | Impact on opportunities missed to have a moderate impact on the ability to meet objectives | Impact on opportunities missed to have a moderate impact on the ability to meet objectives |

Risk rating:

| Risk rating | Inherent risk | Response magnitude | Residual risk | Residual risk exposure (Impact x likelihood) and refer to risk mapping above: |
|-------------|---------------|---|---------------|--|
| 15 - 25 | High | Unacceptable level of risk - High level of control intervention required to achieve an acceptable level of residual risk | Medium | Controls are either fundamentally inadequate (poor design) or ineffective controls require substantial redesign, or a greater emphasis on proper implementation. |
| 8 - 14 | Medium | Unacceptable level of residual risk - implies that the controls are either inadequate (poor design) or ineffective controls require some redesign, or a more emphasis on proper implementation. | Low | Mostly acceptable level of residual risk - requires minimal control improvements. |
| 1 - 7 | | | | Mostly acceptable level of residual risk - Requires minimal proper implementation. |

| Risk rating | Inherent risk | Response magnitude | Residual risk | Residual risk exposure (Impact x likelihood) and refer to risk mapping above: |
|-------------|---------------|--|---------------|---|
| 1 - 7 | | | Low | Mostly acceptable - Low level of control intervention required, if any. |
| 8 - 14 | Medium | Unacceptable level of risk - accept under unique circumstances or conditions - Moderate level of control intervention required to achieve an acceptable level of residual risk | Medium | Intervention required to achieve an acceptable level of residual risk |
| 15 - 25 | High | Unacceptable level of risk - High level of control intervention required to achieve an acceptable level of residual risk | High | Intervention required to achieve an acceptable level of residual risk |

| Rating | Likelihood | Description | (Probability = 35 - 50% p.a.) | The risk will probably not occur, i.e. less than once in 5 years. (Probability = 0 - 35% p.a.) | Rare | 1 |
|---------|------------|-------------|-------------------------------|--|------|---|
| 2015/16 | | | | | | |

- Potential of conflict of interest; and

- Time constraints;

- Vague objectives/mandates;

- Degree of computerized systems;

- Competency, adequacy and integrity of personnel;

- Frequency of losses;

- Pressure to meet objectives;

- Complexity of activities – management judgments;

- Geographical dispersion of operations;

6.3.2 The qualitative criteria that will be used by municipality to assess likelihood are:

| | | IMPACT | | | | |
|----------|--|---------------|-------|----------|-------|--------------|
| | | Insignificant | Minor | Moderate | Major | Catastrophic |
| RARE | | 1 | 2 | 3 | 4 | 5 |
| UNLIKELY | | 2 | 4 | 6 | 8 | 10 |
| MODERATE | | 3 | 6 | 9 | 12 | 15 |
| LIKELY | | 4 | 8 | 12 | 16 | 20 |
| CERTAIN | | 5 | 10 | 15 | 20 | 25 |

Risk mapping that municipality will use to plot risks:



MLM Risk Management Strategy

- MLM may consider risk appetite qualitatively, with such categories as high, moderate or low, or they may take a quantitative approach, reflecting and balancing goals for capital expenditure, budgets and risk. MLM's risk appetite guides resource allocation. Management allocates resources across departments within the budget of MLM and that the objective for departmental consideration to MLM's risk appetite and individual strategy for ensuring that expenditure remains within the budget of MLM and that the objectives are met. Management considers its risk appetite as it aligns its resources and designs infrastructure necessary to effectively respond to and monitor risks.
- Risk appetite:
 - Enables an improved consistency of decision making at all levels through improving risk understanding;
 - Provides a framework for knowingly taking risk within defined boundaries;
 - Improves the ability of the Shared Audit and Performance Committee to challenge recommendations of management by providing a benchmark of what level of risk is defined as acceptable; and
 - Derives real value from the assessment of risk over and above compliance purposes.
- The risk appetite decided upon should be formally considered as part of the setting of business strategy, with capital expenditure and other strategic decisions reviewed against it as they arise. As risk appetite is unlikely to be reduced to a single measurement, MLM needs to decide on the key measurements of risk that are best aligned to its business objectives and in most cases risk appetite will be defined by a mixture of quantitative and qualitative elements.

The key determinants of risk appetite are as follows:

- Management experience along with risk and control management skills; and
- The culture of MLM;
- The resources needed to support risk taking;
- Expected performance;

6.3 Risk Appetite

- Susceptibility of the asset to misappropriation.

- Longer term strategic priorities.

The formulation of the risk appetite is typically closely aligned to the strategic planning process and is also inclusive of budgeting, and as such is something that should be reviewed by management annually.

Defining a risk as acceptable does not imply that the risk is insignificant. The assessment should take into account of the degree of control over each risk, the cost impact, benefits and opportunities presented by the risk and the importance of the policy, project, function or activity.

Risk Tolerance is the amount of uncertainty an organisation is prepared to accept in total; or more narrowly within a certain business unit, a particular risk category or for a specific risk initiative. Expressed in quantitative terms that can be monitored, risk tolerance often is communicated in terms of acceptable or unacceptable outcomes or as limited levels of risk. Risk tolerance statements identify the specific minimum and maximum levels beyond which the organisation is unwilling to lose. The municipality makes reference to inherent risk exposure table and residual risk exposure table above applicable to operational and non-strategic risks as its quantitative application of risk tolerance.

The municipality's Risk Tolerance can be defined by reference to the following components:

- a) All personnel should be willing and able to take calculated risks to achieve their own and the municipality's objectives and to benefit the municipality.
- b) Within the municipality, particular care is needed in taking any action which identified, evaluated and managed to ensure that exposures are acceptable.
- c) Any impact or opportunity which has a sizeable potential impact on any of the could:

- i. Impact on the reputation of the municipality;
- ii. Impact on performance;
- iii. Undermine the independence and objective review of activities;
- iv. Result in regulatory bodies and
- v. Result in financial loss

above should be examined, its exposures defined and it should be discussed with the appropriate line manager. Where there is significant potential and high likelihood of occurrence it should be referred to the risk committee

Risk reduction strategies reduce the frequency or severity of the losses resulting from a risk, usually by changing operations in order to reduce the likelihood of a loss, prepare the community for a loss occurs, of contingency plans to expedite recovery from the loss.

6.5.2 Reduction

Risk avoidance eliminates eliminating the risk-producing activity entirely (or never beginning it). Although avoidance is highly effective, it is often impractical or undesirable, either because the activity is so beneficial to the community that it cannot be discontinued.

6.5.1 Avoidance

with risks:

The Municipality will use the following four strategies or risk response in dealing

6.5 Step 5 – Risk Treatment

Risk evaluation involves action plans for improving or changing risk mitigation measures to be documented in the risk registers. This includes developing an action plan for each maximum or high level risk, identifying risk treatment options. It is important that a process of tracking progress made with risk interventions is followed. Such a process provides a trail of information that may prove to be necessary at some future stage. Good governance practices would expect this. Because risk is often a process of perception, misunderstandings can arise where no record is kept.

The prioritised risks will inform both the scope of internal audit and the risk management committee. Both these support structures will primarily focus on the risks assessed as high, medium and low successively.

6.4 Step 4 - Risk Evaluation

- a) Municipal policy guidelines and other control procedures are mandatory and must be compiled with e.g. MFMA. Full compliance with these standards is required and confirmation of compliance will be sought in the Municipality's annual report.
- b) The municipality has zero tolerance for fraud risk.

- The risk management policy and strategy will be published on website of Matjhabeng Local Municipality.
- Quarterly risk management progress will be done through consultation with and thereafter communicated to relatives risk champions.
- Once a year, the Municipality will undertake a thorough reassessment of its risks at all levels using the following methodology. Risk workshops, interviews, questionnaires and surveys, research, control and risk assessments.
- Risk management implementation plan will undertake to have activities that will enhance effective communication and consultation for risk management.
- In addition communication and consulting will be ensured through the various responsibilities of risk management stakeholders.

7

Communication and consulting

- The Municipality or component is responsible for choosing a suitable strategy for dealing with a key risk. The implementation and eventual operation of this strategy is done on an ongoing basis and will be structured at all levels of management, staff, and provincial and national government, consumers and suppliers:
- Communication and consultation at all stages of the risk management process will be done on an ongoing basis and will be structured at all levels of management, staff, and provincial and national government, consumers and suppliers:
 - The risk management policy and strategy will be published on website of Matjhabeng Local Municipality.
 - Quarterly risk management progress will be done through consultation with and thereafter communicated to relatives risk champions.
 - Once a year, the Municipality will undertake a thorough reassessment of its risks at all levels using the following methodology. Risk workshops, interviews, questionnaires and surveys, research, control and risk assessments.
 - Risk management implementation plan will undertake to have activities that will will enhance effective communication and consultation for risk management.
 - In addition communication and consulting will be ensured through the various responsibilities of risk management stakeholders.

6.5.4 Transfer

- The Municipality will implement corrective action to manage risks identified while still performing the activity from the Municipality, e.g. after a loss has occurred, risk transfer strategies turn over the responsibility of performing a risky activity to another party, such as an independent contractor, and assign responsibility for any losses to that contractor. (When used as a risk financing method, such strategies transfer the liability for losses to another party),
- Risk transfer strategies keep the resulting damages to a minimum.

6.5.3 Control

The Risk Management Committee must monitor the handling of key risks by programme managers as in line with the charter. (Key performance indicators must therefore be developed by the committee to facilitate the monitoring of each key risk).

The success of risk management depends on the availability of reliable information and effective communication at various levels. Pertinent information should be identified, captured and communicated in a form and time frame that enable people to carry out their processes and refine large volumes of data into relevant and actionable information.

Information is needed at all levels to identify, assess and respond to risks. Management must be maintained by the Risk Management Unit and Managers. Management is responsible for ensuring that the register is complete, relevant and accurate.

For each risk the following minimum information is to be maintained:

- a) Department
- b) Unit
- c) Objective
- d) Risk Description
- e) Root Cause
- f) Consequences of risk
- g) Inherent risk rating
- h) Current Controls
- i) Residual risk rating
- j) Action to improve management of the risk
- k) Target date
- l) Risk Owner

For monitoring the following information should be included:

- a) Progress on the implementation of the action plan
 - b) Percentage completed
 - c) Reasons for not reaching the target date.
- The risk management committee will report to the Accounting Officer as depicted in the risk management policy.

Risk Management Committee Charter serves as a reference for explanation of detailed functions and responsibility of Risk Management Committee.

11 RESPONSIBILITIES & FUNCTIONS OF THE RISK MANAGEMENT COMMITTEE

The Municipality will establish a Risk Management Committee and be appointed in writing by the Accounting Officer. It is recommended that the municipality establishes Fraud and Corruption Prevention Committees in line with the fraud and corruption prevention strategy or the Accounting Officer. This is because Risk Management Committee includes use the members of Risk Management Committee. This is not limited to minimising fraud, corruption and waste of government resources.

10 ESTABLISHMENT OF RISK MANAGEMENT COMMITTEES

The plan should be submitted for review and recommendation to the Risk Management Committee and approval by the Accounting Officer.

- Fraud response plan.

- Fraud reporting and

- Fraud risk management;

- Fraud indicators and warning signs;

- Fraud implementation plan;

- Fraud prevention and detection measures;

- Definition of fraud that the Department subscribes to;

- Objective of the fraud prevention plan;

- Executive Summary by Accounting Officer;

Fraud prevention plan covers but not limited to the following:

The Accounting Officer will approve the fraud prevention plan of the Municipality.

The Chief Risk Officer will develop Fraud Prevention Plan and be reviewed by risk management committee annually.

9 Fraud management

High level responsibilities of the Executive Authority in risk management include:

- Providing oversight and direction to the Accounting Officer on risk management related strategy and policies;
- Having knowledge of the extent to which the Accounting Officer and management has established effective risk management in their respective institutions;
- Awareness of and concurring with the department's risk appetite and tolerance levels;
- Reviewing the department's portfolio view of risks and considers it against the institution's risk tolerance;
- Influencing how strategy and objectives are established, departmental activities are structured, and risks are identified, assessed and acted upon;
- Requiring that management should have an established set of values by which every employee should abide by;
- Focusing on the achievement of objectives, effective performance management and value for money.

In addition the Municipal Council should consider the following aspects below which if not considered could affect the institution's risk culture:

- The design and functioning of control activities, information and communication systems, and monitoring activities;
- The quality and frequency of reporting;
- The way the department is managed including the type of risks accepted;
- The appropriateness of reporting lines.

In addition the Municipal Council should:

- Insist on accountability.
- Assign responsibility and authority;

12 RESPONSIBILITIES OF THE COUNCIL AND NON-EXECUTIVE COUNCILLORS

- Setting the tone at the top by supporting Enterprise Risk Management and allocating resources towards establishing the necessary structures and reporting lines within the institution to support Enterprise Risk Management (ERM).
- Hold management accountable for designing, implementing, monitoring and integrating risk management principles into their day-to-day activities.
- Leverage the Audit Committee, Internal Audit, Risk Management Committee and other appropriate structures for assurance on the effectiveness of risk management, properly identified, assessed, mitigated and monitored.
- Provide all relevant stakeholders with the necessary assurance that key risks are properly identified, assessed, mitigated and monitored.
- Provide appropriate leadership and guidance to senior management and structures responsible for various aspects of risk management.

The Accounting Officer shall be responsible for the following:

14 RESPONSIBILITIES OF THE ACCOUNTING OFFICER

- Providing political guidance on budget process
- Co-ordinating the budget process with accounting officer
- Appointing SDIP within 28 days after approval of the budget, and providing the performance agreements of the municipal manager and senior managers to monitor the financial performance of the municipal manager through monthly financial reports submitted by the accounting officer.
- Provide council with quarterly budget reports and taking action where necessary
- Report instances of potential or real non-compliance with the issues that may necessitate provincial interventions.
- Guide the municipality in its dealings with municipal entities.
- Tabling the annual report to council each year.

The executive mayor or committee must provide political guidance over policy, budget and financial affairs of the municipality and ensure that the municipality complies with its obligations under legislation. The following responsibilities performed by the mayor have far reaching implication for integrated risk management:

13 RESPONSIBILITIES OF THE EXECUTIVE MAJOR

- Integrating risk management into planning, monitoring and reporting processes, and the daily management of programs and activities, creating a culture where risk management is encouraged, practised, rewarded and risk management infrastructure is provided.
- Aligns the functional and institutional risk management methodologies and processes, acknowledging the "ownership" of risks within their functional areas and all responsibilities associated with managing such risks;
- Assigning a manager to every key risk for appropriate mitigating action and to determine an action date;
- Cascades risk management into their functional responsibilities;
- Empowers officials to perform adequately in terms of risk management comprehensive orientation and ongoing opportunities for skills development, responsibilities through proper communication of responsibilities,
- Holds officials accountable for their specific risk management responsibilities;
- Maintains the functional risk profile within the institution's risk tolerance and provides reports on the functional risk management consistent with the appetite;
- Institutions reporting protocols (including appealing before committees);
- Aligns the functional and institutional risk management methodologies and processes; implements the directives of the Accounting Authority / Officer concerning risk management;
- Maintains a harmonious working relationship with the CRO and supports the CRO in matters concerning the functions risk management;
- Mainly maintains a harmonious working relationship with the Risk Champion and supports the Risk Champion in matters concerning the functions risk management;

15 RESPONSIBILITIES OF MANAGEMENT

- Audit committee is a sub-committee of the Municipal Council.
- The role of the Audit Committee in risk management is to access and review the outcome of the risk management process.
- The ultimate objective of this review is to ensure that risk management processes are working effectively and that key risks are being managed to an acceptable level.
- The assurance will come from the Audit Committee's review of internal audit reports and external audit reviews.

17 RESPONSIBILITIES OF AUDIT COMMITTEE

- Provides assurance over the Municipality's risk identification and assessment management, information and communication systems and the monitoring systems around risk utilises the results of the risk assessment to develop long term and current year internal audit plans,
 - Provides independent assurance as to whether the risk management strategy, risk management implementation plan and fraud prevention plan have been effectively implemented within the institution.
- These include:
- Provides assurance over the design and functioning of the control environment, management processes, processes, internal audit plans,
 - Utilises the results of the risk assessment to develop long term and current year internal audit plans,
 - Provides assurance over the Municipality's risk identification and assessment management, information and communication systems and the monitoring systems around risk utilises the results of the risk assessment to develop long term and current year internal audit plans,
 - Provides independent assurance as to whether the risk management strategy, risk management implementation plan and fraud prevention plan have been effectively implemented within the institution.

16 RESPONSIBILITIES OF INTERNAL AUDIT

- Keeping key functional risks at the forefront of the management agenda and devote personal attention in overseeing the management of these risks.
- Providing risk registers and risk management reports to the CRO pertaining to risk and controls;

- Develops risk management implementation plan of the municipality, works with senior management to develop the overall enterprise risk management vision, strategy, policy, as well as risk appetite and tolerance levels for approval by the Accounting Officer, communicates the risk management policy, strategy and implementation plan to all stakeholders in the institution, continuously driving the risk management process towards best practice, coordinating risk assessments within the municipality as outlined in the policy, sensitising management timeliness of the need to perform risk assessments for all major changes, capital expenditure, projects, municipality's restructuring and similar events, and assist to ensure that the attendant processes, particularly reporting, are completed together with internal audit and management.
- Assisting management in developing and implementing risk responses for each identified material risk.
- Participating in the development of the combined assurance plan for the institution, together with internal audit and management.
- Ensuring effective information systems exist to facilitate overall risk management improvement within the institution.
- Collates and consolidates the results of the various assessments within the institution.
- Analyses the results of the assessment process to identify trends, within the risk and control profile, and develop the necessary high level control interventions to manage these trends.
- Providing input into the development and subsequent review of the fraud prevention strategy, business continuity plans occupational health, safety and environmental policies and practices and disaster management plans.

18 RESPONSIBILITIES OF THE CHIEF RISK OFFICER

responsibility;

- Maintaining the functioning of the control environment, information and communication as well as the monitoring systems within their delegated responsibility;

- Adhering to the code of conduct for the institution;

- Acting within the risk appetite and tolerance levels set by the business unit;

- Acting in terms of the spirit and letter of the above.

strategy, fraud risk management policy and risk management policy;

- Familiarity with the overall enterprise risk management vision, risk management

Each official will be responsible for:

20 ROLES OF ALL OFFICIALS

- Incorporating risk managing into project management planning process.

- Reporting any risks to chief risk officer on a periodic and timely basis, and taking action to take advantage of, reduce, mitigate and adjust risk plans as appropriate.

- Implementation of risk responses to address the identified risks.

- Participation in risk identification and risk assessment strategic risks.

- Maintaining the functioning of the control environment, information and communication as well as the monitoring systems within their delegated responsibility.

- Acting within the tolerance levels set by the component.

- Familiarity with the overall enterprise risk management vision, risk management

Component Manager will be responsible for:

Within the context of the Risk Management Strategies of the office, Strategic Planning

19 ROLE OF THE STRATEGIC PLANNING DIRECTORATE MANAGER

Committee.

- Report administratively to Accounting Officer and functionally to Risk Management

MLM Risk Management Strategy

- Ensure that divisions are effectively implementing the Risk Management Strategy.
 - APPONTIMENT OF THEM.
 - Identify and report fraudulent activities within their Unit,

22 ROLE OF RISK CHAMPIONS

- Ensure that divisions are effectively implementing the Risk Management Strategy.
 - Identify and report fraudulent activities within their Unit.
 - Conduct preliminary inquiry on any alleged incident that is in conflict with the Code of Conduct for the Public Service and draft a report for the investigators.
 - Provide support on investigations by facilitating the obtaining of information in any form [electronic, documentary, etc] by investigators, in line with the applicable regulations,
 - Be a point of entry for investigators and risk management officials within their respective units.

It is the responsibility of the Risk Owner to:

Risks should be identified at a level where a specific impact can be identified and a specific action or actions to address the risk can be identified. All risks, once identified, should be assigned to an owner who has responsibility for ensuring that the risk is managed and monitored over time. A risk owner, in line with their accountability for managing the risk, should have sufficient authority to ensure that the risk is effectively managed. The risk owner need not be the person who actually takes the action to address the risk. Risk owners should however ensure that the risk is escalated where necessary to the appropriate level of management.

21 ROLE OF RESPONSIBILITY MANAGERS OR RISK OWNERS

- Providing information and cooperation with other role players;
 - Participating in risk identification and risk assessment within their business unit;
 - Implementation of risk responses to address the identified risks.

- Every Manager shall, on a quarterly basis and during the strategic planning meetings of the municipality, disclose that:
- He /she is accountable for the process of risk management and the systems of internal control which are regularly reviewed for effectiveness, and in establishing appropriate risk and control policies and communicating this throughout the office.
 - There is an ongoing process for identifying, evaluating and managing the significant risks faced by the component concerned.
 - There is an adequate and effective system of internal control in place to mitigate the significant risks faced by the component concerned to an acceptable level.
 - There is a documented and tested process in place which will allow the component to continue its critical business process in the event of disastrous incidents impacting on its activities. This is commonly known as business continuity plan and should cater for worst-case scenario.
 - That the component complies with the process in place, established to review the system of internal control for effectiveness and efficiency.
 - Where the Accounting Officer cannot make any of the disclosures set out above he or she should state this fact and provide a suitable explanation.

23 DISCLOSURE

- Be a point of entry for investigators and risk management officials within their respective units.
- Provide support on investigations by facilitating the obtaining of information in any form [electronic, documentary, etc] by investigators, in line with the applicable regulations,
- Conduct preliminary inquiry on any alleged incident that is on conflict with the Code of Conduct for the Public Service and draft a report for the investigators,
- Provide support on investigations by facilitating the obtaining of information in any form [electronic, documentary, etc] by investigators, in line with the applicable regulations,
- Be a point of entry for investigators and risk management officials within their respective units.

Director: Strategic Support Services

T. B. Makgafane

Reviewed By:

(Acting Senior Accountant): Risk Management

P. V. Seftuthi

Reviewed By:

Date: 26/11/2015

Submitted By:

Date: 26/11/2015

Risk management takes place in all components. To this end, the municipality takes full responsibility to ensure that implementation of risk management takes place in all components. This will improve the quality of strategic plans, which will assume both predictive and prescriptive dimensions.

This will also assist management to take the correct decisions in an uncertain environment. The development of a culture of risk management to focus on risk analysis and response.

Risk management is a powerful management tool to deal with uncertainties in the environment, and to establish pre-emptive mechanisms to enhance service delivery, while narrowing the scope of corruption, misconduct and unethical professional behaviour.

25 CONCLUSION

The developed risk management planning process includes a sequence of activities that will occur every year. The risk management process is a limited but focused set of strategic objectives that inform the risk management planning process. The planning process links risk management with the day-to-day activities of units within municipality.

2015/16

24 INTEGRATING RISK MANAGEMENT PLANNING PROCESS

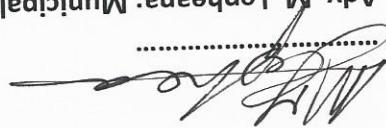
MLM Risk Management Strategy

2015/16

MLM Risk Management Strategy

Approved / Not Approved

Adv. M. Lepheana: Municipal Manager



Date: 04/02/2016