

**! Kheis**  
Munisipaliteit  
Municipality

**RISK MANAGEMENT STRATEGY 2014/2015**

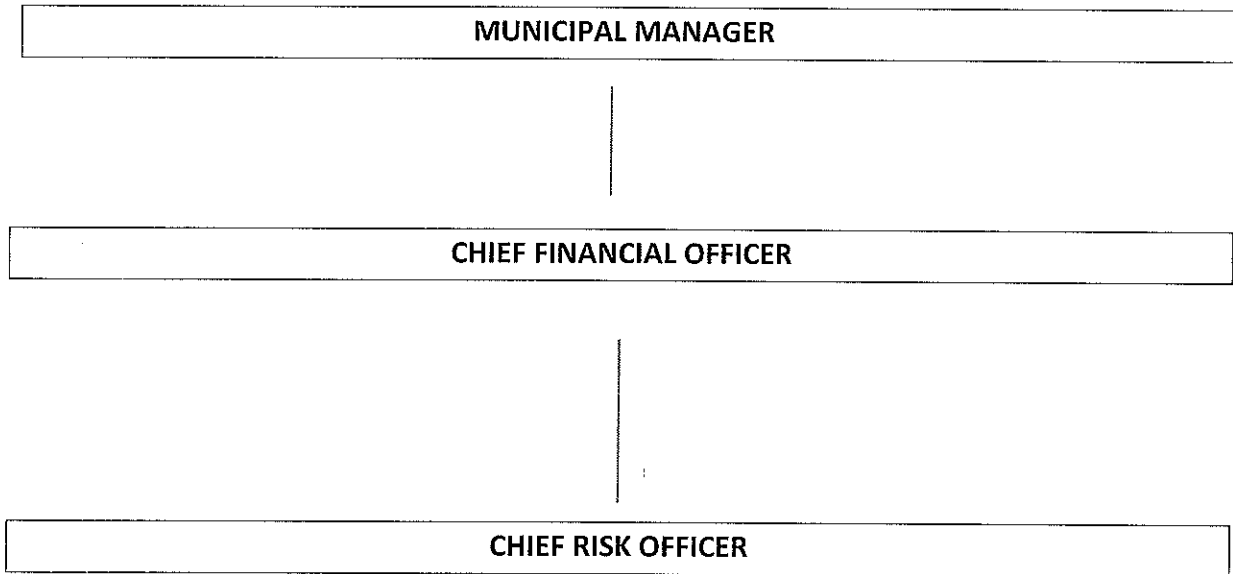
## 1. PURPOSE

!Kheis Local Municipality risk management strategy is aimed at outlining a plan on how Municipality will go implementing its risk management policy. This strategy is informed by the risk management policy and the Municipal's risk profile.

## 2. STRUCTURAL CONFIGURATION (Unit responsible for risk)

The Risk Management Unit resides within the sphere of the Municipal Manager, is responsible for coordination of all risk management activities in the Municipality.

The structure is illustrated as follows:



### **3. ACCOUNTABILITY, ROLES AND RESPONSIBILITIES**

The following roles and responsibilities are applicable to relevant stakeholders and must be read with those stipulated in the Municipality Risk Management Policy:

#### **3.1 Municipal Manager**

The Municipal Manager as the Accounting Officer is required in terms of the Municipal Finance Management Act (MFMA), Sec 62(1) to ensure that the Municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The Accounting Officer is ultimately responsible for and should assume ownership of risk management.

#### **3.2 Management**

Senior Management plays a key role in ensuring that risk management is an ongoing process.

They must ensure that the Municipality:

- Integrates risk management into the planning, monitoring and reporting processes and the daily management of programmes and activities.
- Determines the acceptable risk levels based upon ongoing risk assessment.
- Has a risk management culture where every official is encouraged to practice risk management on daily activities.

#### **3.3 Chief Risk Officer**

**The Risk Officer:**

- Facilitates and co-ordinates all the Municipal risk management processes.
- Works with other managers in establishing and maintaining effective risk management in their areas of responsibility.
- Has the responsibility for monitoring progress and for assisting other managers in reporting relevant risk information up, down and across Municipality, and is a member of an internal risk management committee.

#### **3.4 Audit Committee**

The Municipal Manager will report to the Audit Committee per invitation with regard to effective implementation of risk management activities as well as compliance with the public sector risk management framework and related prescripts.

### **3.5 Internal Auditors**

Internal Auditors play an important role in the monitoring of risk management and the quality of performance as part of their regular duties or upon special request of senior management, which is approved by the audit committee.

They may assist both management and executive authority or audit committee by monitoring, examining, evaluating, reporting and recommending improvement to the adequacy and effectiveness of risk management processes.

### **3.6 Other Personnel**

All other Officials within Municipality are vital for the ongoing risk management processes within the Municipality

They play an important role in the following:

- Identifying and controlling risks appropriate to their positions.
- Report risks to management on a timely basis.
- Communicating risks such as problems in operations, noncompliance with code of conduct, other policy violations or illegal actions.

## **4. RISK MANAGEMENT PROCESSES**

The process of managing risk is a structured approach for incorporating risk management into the daily, broader management process. Risk management is more than an exercise of risk avoidance. It is as much about identifying opportunities as avoiding or mitigating losses.

Risk management is an ongoing process at every level, and consist of eight interrelated components, namely:

The control environment;

Objective setting;

Risk identification;

Risk assessment;

Information and communication;

Control activities; and

#### **4.1 Risk Assessment**

Risk assessment will be conducted annually. When a need arises, on half yearly basis, re-assessment of existing risk may be done as well as identification of new/emerging risk using various risk identification methodologies suitable to the Municipality.

#### **4.2 Risk Reporting Standards**

The Chief Risk Officer, in consultation with management has a responsibility to design a system that will enable identification and reporting of new/emerging risk as well as mitigation of existing risk.

### **5. RISK TOLERANCE LEVEL**

It is the amount of risk that the Municipality is prepared to accept, tolerate or be exposed to at any point in time.

#### **Rationale on which Municipality needs to determine the risk tolerance level**

Management should have sufficient guidance on the levels of risk that are legitimate for them to take during execution of their duties.

By clearly articulating the risk tolerance level, it will among other things assist Municipality in:

- Showing how different resource allocation strategies can add to or lessen the burden of risk
- Enhancing decision making processes
- Improved understanding of risk based audits

### **6. TREATMENT OF RISK – RISK MITIGATION**

#### **6.1 Risk treatment options**

If the risk is not acceptable, measures must be put in place to mitigate it.

The following risk treatment options (4T's) are available and can be applied depending on the nature/type of risk as well as taking into cognizance the nature of services rendered within the Directorate:

- Treat
- Tolerate
- Terminate
- Transfer

#### **6.2 Risk treatment/ mitigation action plan**

The Chief Risk Officer, in consultation with management has a responsibility to design a risk mitigation plan that will ensure that material risks to which Municipality is exposed are addressed.

## **7. MONITORING OF THE ACHIEVEMENT OF THE RISK MANAGEMENT STRATEGY**

7.1 Monitoring is one of the integral parts of risk management as it provides information that assists with making effective decisions in advance of the risk occurring. It is a process that systematically tracks and evaluates the effectiveness of risk mitigation options and assists in identifying new risks.

7.2 Risk monitoring must not be construed as a problem solving technique, but rather, a pro-active technique to observe the results of risk mitigation. However, this does not mean that it does not provide room for capturing lessons learnt for future risk assessment and allocation efforts.

7.3 The Risk Management Committee is responsible for evaluation of risk management processes as well as the risk management strategy to ensure that it produces sustainable outcome as envisaged.

### **7.4 The objectives are to determine if:**

- Risk mitigation action plan have been implemented as planned
- Risk mitigation action plan are as effective as expected
- Level of risk priority has changes from its prior state
- A risk event has occurred
- Proper policies and procedures were followed
- Risk not previously identified have occurred

## **8. ASSURANCE ACTIVITIES**

The following are among others, regarded as assurance providers to add value in management of risk facing Municipality:

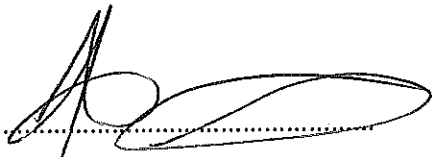
- Office of the Auditor General
- Shared internal audit

## **9. REVIEW OF THE RISK MANAGEMENT STRATEGY**

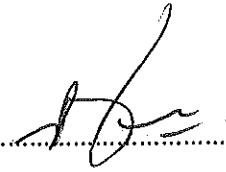
!Kheis local Municipality Risk management strategy is subjected to an annual review.

## **10. APPROVAL**

Approved by:



Ms H.T Scheepers – Municipal Manager



Mr. P. Vries - Mayor

