MANGAUNG METROPOLITAN MUNICIPALITY

RISK MANAGEMENT STRATEGY

Table of Contents

1. INTRODUCTION

The City Manager, as the Accounting Officer, who is mandated by sections 62(1) (c) (i) and 95(c) (i) of the Municipal Finance Management Act, which states "Accounting Officers are to ensure that their municipalities and municipal entities have and maintain effective, efficient and transparent systems of risk management". This is why risk management is central to managing the Municipality as a whole, and why risk management is integral to planning, organising, directing and coordinating systems aimed at achieving Municipality goals and objectives.

A foremost challenge for any Public Service Municipality is to develop and ensure the implementation of strategies to deliver on mandates and policies decided on by the Executive Council.

One of the most critical mandates is the development and implementation of an integrated risk management strategy whose major objective is to encourage best practice within an ever-evolving municipal service delivery strategy, while minimising the risks and ensuring that Municipality meets its objective.

2. THE NEED

The need is to manage risk systematically of which will apply to all directorates and to all functions and activities within the Municipality.

An effective risk management strategy will assist the Municipality to meet its strategic and operational objectives by ensuring that every employee has a clear understanding of: the objectives of the Municipality, factors that could impact on the Municipality's ability to meet those objectives, the actions necessary to ensure objectives are met.

An effective Risk Management Strategy can:

a) Improve accountability by ensuring that risks are explicitly stated and understood by all parties, that the management of risks is monitored and reported on, and that action is taken based on the results.

b) Focus on planning to deal with factors that may impact on the objectives of the Municipality and provide an early warning signal,

c) Ensure opportunities are not missed and surprise costs don't arise.

3. OBJECTIVES

The objectives of Risk Management Strategy are as follows:

a) To provide and maintain a working environment where everyone is following sound risk management practices and is held accountable for achieving results;

b) To provide with the framework on which the employees will utilise to implement risk management;

c) To provide the facilities and create a conducive working environment in ensuring that everyone has the capacity and resources to carry out his or her risk management responsibilities;

d) To ensure that risk management activities are fully integrated into the planning, monitoring and reporting processes and into the daily management of program activities.

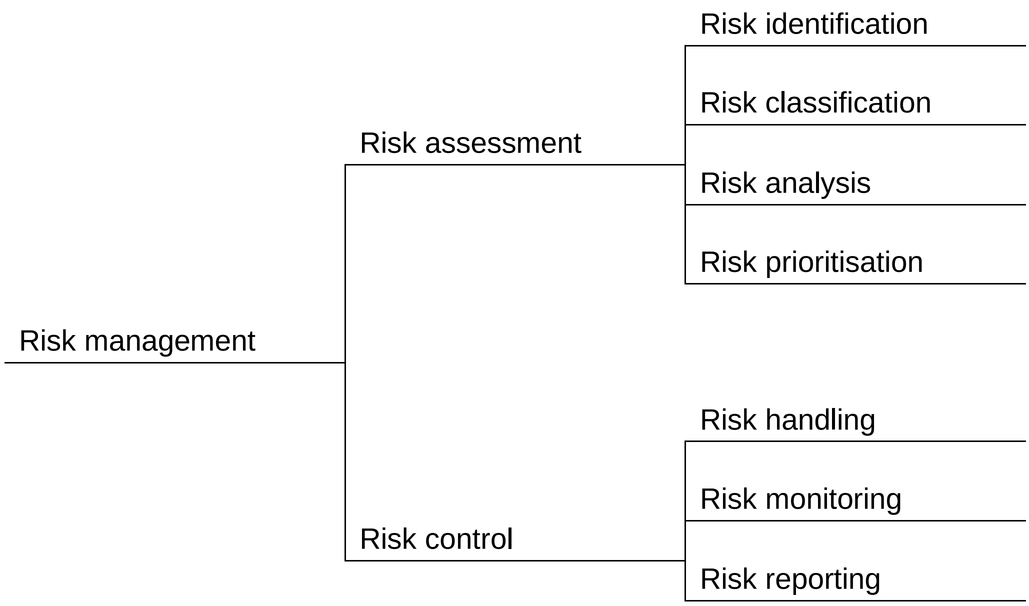
4. DEFINITIONS

Risk:	An unwanted outcome, actual or potential, to the municipality's service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present upside potential, which management must be aware of and be prepared to exploit. This definition of "risk" also encompasses such opportunities.
Risk Management:	A systematic and formalized process to identify assess, manage and monitor risks.
Enterprise Risk Management:	Enterprise risk management (ERM) is the application of risk management throughout the Municipality rather than only in selected business areas or disciplines.
Risk Analysis:	A process that involves identifying the most probable threats to the Municipality and analysing the related vulnerability of the Municipality to the threats. This includes risk assessment, risk characteristics, risk communication, risk management, and policy relating to risk.
Risk Assessment:	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 Identification:	The process concerned with identifying events that produce risks that threaten the achievement of objectives

Inherent Risks:	The probability of risk occurring or existing in the Municipality in the absence of any existing action to control or modify the circumstances.
Residual Risk:	The risk that remains after all efforts have been made to mitigate or to eliminate the risk that the municipality is exposed to.
Strategic Risks:	Any potential obstacles that may impact on the ability of the Municipality to achieve its strategic objectives.
Risk Response:	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.
Monitor:	The process of monitoring and assessing the presence and functioning of the various components overtime.
Risk Champions:	The Risk Champion is a person who by virtue of his/her expertise or authority champions a particular aspect of the risk management process, but who is not the risk owner.

5. RISK MANAGEMENT FRAMEWORK

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



5.1 Risk Identification

Using a business process approach, risks are identified in the Municipality. A business process approach involves identifying all the directorates or processes within a Municipality. Risks will be identified on directorate level by having structured interviews and / or workshops with key process staff.

The following definition of a **risk** will be used by Mangaung Metropolitan Municipality:

> Any event or action that hinders a process's achievement of its directorate (explicit and implicit) objectives.

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

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

The three constituent elements of risk are:

- Inherent risk
- Control risk
- Detection risk

Mangaung Metropolitan Municipality is subjected to its own inherent and control risks and these risks should be catalogued for use in risk assessment.

The Municipalities has its own, unique inherent risks associated with its operations and management style. The risks are countered by installing controls. Since there is no way to reduce risk to zero, there will be some risk even after the best controls are installed (control risk). That degree of risk is control risk. A more detailed discussion of inherent risk, control risk and detection risk follows:

Inherent risk

Inherent risk is defined as per the definition above. It is evaluated by considering the degree of probability and potential size of an adverse impact on strategic objectives and other activities." With the background of the Municipality's broad outlook on risk, inherent risk also relates to the intrinsic susceptibility of operational and administrative activities to errors and/or fraud that could lead to the loss of Municipality resources or the non-achievement of Municipality objectives.

The importance of inherent risk evaluation is that it is an indicator of potential high-risk areas of the Municipality's operations that would require particular emphasis and it is also an essential part of the combined risk assessment for each process. The identification of all risks pertaining to a process is also the starting point of the risk assessment exercise.

Aspects that bear consideration when assessing the inherent risk are grouped into three categories, namely:
The operational risk
The management environment
The accounting environment

Factors that could influence inherent risk under the three categories are:

Operational risk

Some programs / mega processes may have more inherent risk attached to it. Some objectives, outputs and outcomes may have higher priority than others. The objective's outputs and outcomes as well as the program operations may also be subject to variable factors outside the Municipality's control that may make it more difficult to achieve the program objectives. These variables outside the Municipality's control increase the overall risk profile of the program / mega process and therefore also the inherent risk.

The management environment

The integrity of management and staff

The potential for internal control override, and deception, is always present. An assessment of management and staff's integrity is difficult. If there were past incidences of fraud or theft within a program or sub process where personnel were involved, and these personnel are still working there the possibility of a lack in integrity would be obvious. A wide range of reasons might tempt management to manipulate accounting records or misstate financial information.

Control Risk

Control risk is defined as "the risk that an error which could occur and which, individually or when aggregated with other errors, could be material to the achievement of Municipality's objectives, will not be prevented or detected on a timely basis by the internal controls." That is, a risk that the Municipality's controls (processes, procedures, etc) are insufficient to mitigate or detect errors or fraudulent activities.

Control risk arises simply because the accounting system lacks built-in internal controls to prevent inaccurate, incomplete and invalid transaction recording, or due to the intrinsic limitations of internal controls. These limitations are due to factors such as:

The potential for management to override controls,
Collusion circumventing the effectiveness of the segregation of duties;
Human aspects such as misunderstanding of instructions, mistake make in judgment, carelessness, distraction or fatigue.

Control risk also arises when certain risks are simply not mitigated by any control activities.

Detection risk

Detection risk is defined as "the risk that management's procedures will fail to detect error which, individually or when aggregated with other errors, could be material to the financial information as a whole." This would also include errors that could be material to the Municipality as a whole.

5.2 Risk classification

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

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

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

Risk Type	Risk Category	Description
Internal	Human resources	Risks that relate to human resources of an institution. These risks can have an effect on an Institution's human capital with regard to: • Integrity and honesty; • Recruitment; • Skills and competence; • Employee wellness; • Employee relations; • Retention; and • Occupational health and safety.
	Knowledge and Information management	Risks relating to an Institution's management of knowledge and information. In identifying the risks consider the following aspects related to knowledge management: • Availability of information; • Stability of the information; • Integrity of information data; • Relevance of the information; • Retention; and • Safeguarding.
	Litigation	Risks that the Institution might suffer losses due to litigation and lawsuits against it. Losses from litigation can possibly emanate from: • Claims by employees, the public, service providers and other third party • Failure by an institution to exercise certain rights that are to its advantage

	Loss \ theft of assets	Risks that an Institution might suffer losses due to either theft or loss of an asset of the institution.
	Material resources (procurement risk)	Risks relating to an Institution's material resources. Possible aspects to consider include: • Availability of material; • Costs and means of acquiring \ procuring resources; and • The wastage of material resources
	Service delivery	Every Institution exists to provide value for its stakeholders. The risk will arise if the appropriate quality of service is not delivered to the citizens.
	Information Technology	The risks relating specifically to the Institution's IT objectives, infrastructure requirement, etc. Possible considerations could include the following when identifying applicable risks: • Security concerns; • Technology availability (uptime); • Applicability of IT infrastructure; • Integration / interface of the systems; • Effectiveness of technology; and • Obsolescence of technology.
	Third party performance	Risks related to an institution's dependence on the performance of a third party. Risk in this regard could be that there is the likelihood that a service provider might not perform according to the service level agreement entered into with an institution. Non-performance could include: • Outright failure to perform; • Not rendering the required service in time; • Not rendering the correct service; and • Inadequate / poor quality of performance.
	Health & Safety	Risks from occupational health and safety issues e.g. injury on duty; outbreak of disease within the institution.

	Disaster recovery / business continuity	Risks related to an Institution's preparedness or absence thereto to disasters that could impact the normal functioning of the Institution e.g. natural disasters, act of terrorism etc. This would lead to the disruption of processes and service delivery and could include the possible disruption of operations at the onset of a crisis to the resumption of critical activities. Factors to consider include: • Disaster management procedures; and • Contingency planning.
	Compliance \ Regulatory	Risks related to the compliance requirements that an Institution has to meet. Aspects to consider in this regard are: • Failure to monitor or enforce compliance • Monitoring and enforcement mechanisms; • Consequences of non-compliance; and • Fines and penalties paid.
	Fraud and corruption	These risks relate to illegal or improper acts by employees resulting in a loss of the Institution's assets or resources.
	Financial	Risks encompassing the entire scope of general financial management. Potential factors to consider include: • Cash flow adequacy and management thereof; • Financial losses; • Wasteful expenditure; • Budget allocations; • Financial statement integrity; • Revenue collection; and • Increasing operational expenditure.
	Cultural	Risks relating to an Institution's overall culture and control environment. The various factors related to organisational culture include: • Communication channels and the effectiveness;

		• Cultural integration; • Entrenchment of ethics and values; • Goal alignment; and • Management style.
	Reputation	Factors that could result in the tarnishing of an Institution's reputation, public perception and image.
External	Economic Environment	Risks related to the Institution's economic environment. Factors to consider include: • Inflation; • Foreign exchange fluctuations; and • Interest rates.
	Political environment	Risks emanating from political factors and decisions that have an impact on the institution's mandate and operations. Possible factors to consider include: • Political unrest; • Local, Provincial and National elections; and • Changes in office bearers.
	Social environment	Risks related to the Institution's social environment. Possible factors to consider include: • Unemployment; and • Migration of workers.
	Natural environment	Risks relating to the Institution's natural environment and its impact on normal operations. Consider factors such as: • Depletion of natural resources; • Environmental degradation; • Spillage; and • Pollution.
	Technological environment	Risks emanating from the effects of advancements and changes in technology.
	Legislative environment	Risks related to the Institution's legislative environment e.g. changes in legislation, conflicting legislation.

5.3 Risk analysis/assessment

Risk analysis allows the Municipality to consider how potential risks might affect the achievement of objectives. Management assesses events from two perspectives: likelihood and impact. Likelihood represents the possibility that a given event will occur, while impact represents the effect should it occur.

The following tables reflect the rating criteria that will be used by the Municipality:

RISK RATING:

High	15-25
Medium	8-14
Low	1-7

RISK MAPPING THAT MANGAUNG METRO MUNICIPALITY WILL USE TO PLOT RISKS:

LIKEHOOD	Common	5	10	15	20	25
	Likely	4	8	12	16	20
	Moderate	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Rare	1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Critical
		IMPACT				

IMPACT CATEGORIES:

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

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.
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.
Human resources	The impact of an event on the Municipality's workforce.
Service delivery	The impact of an event on the Municipality's ability to deliver services.
Public perception of entity	The impact of an event on the public's perception of the Municipality and on the degree of cooperation the public is willing to give in conducting the activities that are critical to its mission.

Liability to third parties	The impact of an event on the Municipality's liability to third parties.
Environment	The impact of an event on the environment and people who use it.
Public	The impact of an event on the public.

IMPACT CRITERIA THAT WILL BE USED BY MUNICIPALITY TO RATE RISKS:

Rating	Severity Rating	Continuity of Service Delivery	Safety & Environment	Financial	Achievement of Objectives
5	Critical	Risk event will result in widespread and lengthy disruption in continuity of service delivery to stakeholders of greater than 48hrs	Major environmental damage, Serious injury (permanent disability) or death of a person, Mayor negative media coverage	Significant cost overruns >20% over budget (higher of income or expenditure budget)	Negative outcomes or missed opportunities that are of critical importance to the achievement of objectives
4	Major	Reduction in supply or disruption for a period ranging between 24 - 48hrs over a significant area	Significant injury of a person. Significant environmental damage. Significant negative media coverage.	Significant cost overruns between 10% and 20% over budget (higher of income or expenditure budget)	Negative outcomes or missed opportunities that likely to have a relatively substantial impact to the ability to the achievement of objectives
3	Moderate	Reduction in supply or disruption for a period between 8-23hrs over a regional area	Lower level environmental, safety or health impacts. Limited negative media coverage	Moderate impact on budget (higher of income or expenditure budget)	Negative or missed opportunities that are likely to have a moderate impact on the ability to meet objectives
2	Minor	Brief local inconvenience (workaround possibility) Loss of an asset with minor impact on operations	Little environmental, safety or health impacts. Limited negative media coverage	Minor impact on budget (higher of income or expenditure budget)	Negative or missed opportunities that are likely to have a minor impact on the ability to meet objectives

1	Insignificant	Insignificant impact on business or core systems	Insignificant environmental, safety or health impacts and or negative media coverage	Insignificant financial loss	Negative or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives

LIKELIHOOD CRITERIA THAT WILL BE USED BY MUNICIPALITY TO RATE RISKS:

Rating	Likelihood	Description
5	Common	The risk is already occurring, or is likely to occur more than once within the next 12 months (Probability = 100% p.a.)
4	Likely	The risk could easily occur, and is likely to occur at least once within the next 12 months (Probability = 75 – 100% p.a.)
3	Moderate	There is an above average chance that the risk will occur at least once in the next 3 years (Probability = 50 – 75% p.a.)
2	Unlikely	The risk occurs infrequently and is unlikely to occur within the next 3 years (Probability = 35 – 50% p.a.)
1	Rare	The risk is conceivable but is only likely to occur in extreme circumstances (Probability = 0 – 35% p.a.)

INHERENT RISK EXPOSURE (Impact X Likelihood) AND REFER TO RISK MAPPING ABOVE:

Risk rating	Inherent risk magnitude	Response
15 - 25	High	Unacceptable level of risk – High level of control intervention required to achieve an acceptable level of residual risk
8 – 14	Medium	Unacceptable level of risk, except under unique circumstances or conditions – Moderate level of control intervention required to achieve an acceptable level of residual risk
1 - 7	Low	Mostly acceptable – Low level of control intervention required, if any.

RESIDUAL RISK EXPOSURE (Impact X Likelihood) AND REFER TO RISK MAPPING ABOVE:

Risk rating	Residual risk magnitude	Response
15 - 25	High	Unacceptable level of residual risk – Implies that the controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). 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 (poor implementation). Controls require some redesign, or a more emphasis on proper implementation.
1 - 7	Low	Mostly acceptable level of residual risk – Requires minimal control improvements.

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

a) Geographical dispersion of operations;

- Complexity of activities – management judgments;
- Pressure to meet objectives;
- Frequency of losses;
- Competency, adequacy and integrity of personnel;
- Degree of computerised systems;
- Vague objectives/mandates;
- Time constraints;
- Potential of conflict of interest; and
- Susceptibility of the asset to misappropriation.

5.4 Risk prioritisation

Within the risk management framework, risk prioritisation provides the link between risk assessment and risk control. Risks assessed as key risks will be introduced and managed within the control major-process.

Depending on the results of the risk analysis performed, risks will be prioritised per directorate within the municipality.

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

Risk Appetite and Tolerance

Risk Appetite is the amount of risk that is accepted in pursuit of achieving objectives. The Metro's risk appetite is directly related to its strategic direction and addresses the Metro's material risks, setting clear boundaries and expectations by establishing quantitative limits and qualitative statements. Qualitative statements complement quantitative measures, set the overall tone for the Metro's approach to risk-taking and articulate clearly the motives for taking on or avoiding certain types of risks.

Risk appetite for council is as follows:
- Council has no appetite for risk which may have a significant negative impact on the municipality's ability to provide basic services to the community.

- Council has no appetite for risks that may have significant negative impact on municipality's long term financial sustainability.
- Council does not have appetite for risks that may compromise safety and welfare of the environment and the community.
- Council has no appetite for fraudulent or corrupt activities.
- Council has an appetite for risks that improve efficiency, reduces costs or improves efficiency.
- Council has an appetite for risks that improves economic development within the municipal jurisdiction.

Risk Tolerance is the amount of risk the municipality is capable of bearing. With the risk appetite defined, risk limits and tolerances are established and consist of the thresholds used to guide day to day activities.

Quantitative Indicator	Qualitative Indicator	Response option
15-25	High Risk	Unacceptable level of residual risk – Implies that the controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). Controls require substantial redesign, or a greater emphasis on proper implementation.
8-14	Medium Risk	Unacceptable level of residual risk – Implies that the controls are either inadequate (poor design) or ineffective (poor implementation). Controls require some redesign, or a more emphasis on proper implementation.
0-7	Low Risk	Mostly acceptable level of residual risk – Requires minimal control improvements.

5.5 Risk handling

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

Terminating Risk:

Risk termination involves eliminating the risk-producing activity entirely (or never beginning it). Although termination is highly effective, it is often impractical or undesirable, either because the Municipality is legally required to engage in the activity or because the activity is so beneficial to the community that it cannot be discontinued.

Tolerating Risk:

Risk tolerance is where no further action is taken to mitigate or reduce a risk. This may be because the cost of instituting risk reduction or mitigation activity is not cost-effective or the risks of impact are at low that they are deemed acceptable to the municipality. Even when these risks are tolerated they should be monitored because future changes may make it no longer tolerable.

Treating Risk:

Risk treatment is a method of controlling risk through actions that reduce the likelihood of the risk occurring or minimize its impact prior to occurrence. 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 control strategies keep the resulting damages to a minimum.

Transferring Risk:

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).

The Municipality or directorates is responsible for choosing a suitable strategy for dealing with a key risk. The implementation and eventual operation of this strategy is the responsibility of head of departments and must be within above risk response strategies.

5.6 Risk monitoring

The risk management committee must monitor the handling of key risks by program 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.

5.7 Risk reporting

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 responsibilities.

Information is needed at all levels to identify, assess and respond to risks. Management must process and refine large volumes of data into relevant and actionable information.

Risk information is to be maintained on a risk register. The register will be maintained by the Risk Management Unit and Heads of Department. 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) Directorate
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) Reasons for not reaching the target date.
c) Impact of the residual risk

The risk management committee will report to the Accounting Officer as depicted in the risk management policy.

5.8 Fraud Management

The Anti-Fraud and Corruption Unit will develop fraud prevention plan/strategy and be reviewed by risk management committee annually.

The Accounting Officer must approve the fraud prevention plan/strategy of the Municipality.

This fraud prevention plan/strategy will also cover but not limited to the following:

- Executive Summary by Accounting Officer / Accounting Authority;
- Objective of the fraud prevention plan;
- Definition of fraud that the Municipality subscribes to;
- Fraud prevention and detection measures;
- Fraud implementation plan;
- Fraud indicators and warning signs;
- Fraud risk management;
- Fraud reporting and

- Fraud response plan.

The plan should be submitted for review approval to the risk management committee and approval by the Accounting Officer / Accounting Authority.

6. ESTABLISHMENT OF RISK MANAGEMENT COMMITTEES

Mangaung Metropolitan 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 plan/strategy or use the same committee members as Risk Management Committee members. This is mainly because Risk Management includes but is not limited to minimising fraud, corruption and waste of government resources.

7. RESPONSIBILITIES & FUNCTIONS OF THE RISK MANAGEMENT COMMITTEE

Refer to Risk Management Committee Terms of Reference.

8. RESPONSIBILITIES OF ACCOUNTING OFFICER

The Accounting Officer shall be responsible for the following:

a) 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),

b) Place the key risks at the forefront of the management agenda and devote attention to overseeing their effective management,

c) Approves the institution's risk appetite and risk tolerance,

d) Hold management accountable for designing, implementing, monitoring and integrating risk management principles into their day-to-day activities,

e) Leverage the Audit Committee, Internal Audit, Risk Management Committee and other appropriate structures for assurance on the effectiveness of risk management,

f) Provide all relevant stakeholders with the necessary assurance that key risks are properly identified, assessed, mitigated and monitored,

g) Provide appropriate leadership and guidance to senior management and structures responsible for various aspects of risk management.

9. RESPONSIBILITIES OF MANAGEMENT

a) Integrating risk management into planning, monitoring and reporting processes, and the daily management of programs and activities,

b) Creating a culture where risk management is encouraged, practiced, rewarded and risk management infrastructure is provided,

c) Aligns the functional and institutional risk management methodologies and processes,

d) Acknowledges the "ownership" of risks within their functional areas and all responsibilities associated with managing such risks,

e) Assigning a manager to every key risk for appropriate mitigating action and to determine an action date,

f) Cascades risk management into their functional responsibilities,

g) Empowers officials to perform adequately in terms of risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development,

h) Holds officials accountable for their specific risk management responsibilities,

i) Maintains the functional risk profile within the institution's risk tolerance and appetite,

j) Provides reports on the functional risk management consistent with the institution's reporting protocols (including appearing before committees),

k) Aligns the functional and institutional risk management methodologies and processes,

l) Implements the directives of the Accounting Authority / Officer concerning risk management,

m) Maintains a harmonious working relationship with the CRO and supports the CRO in matters concerning the functions risk management,

n) Maintains a harmonious working relationship with the Risk Champion and supports the Risk Champion in matters concerning the functions risk management,

o) Keeps key functional risks at the forefront of the management agenda and devote personal attention in overseeing the management of these risks,

p) Providing risk registers and risk management reports to the CRO pertaining to risk and controls.

10. RESPONSIBILITIES OF INTERNAL AUDIT

The role of internal audit is, but not limited, to provide assurance of the Municipality on the risk management process.

These include:

a) Provides assurance over the design and functioning of the control environment, information and communication systems and the monitoring systems around risk management,

b) Provides assurance over the Municipality's risk identification and assessment processes,

c) Utilises the results of the risk assessment to develop long term and current year internal audit plans,

d) 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.

11. RESPONSIBILITIES OF THE CHIEF RISK OFFICER

a) Develop risk management implementation plan of the Municipality,

b) 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,

c) Communicates the risk management policy, strategy and implementation plan to all stakeholders in the institution,

d) Continuously driving the risk management process towards best practice,

e) Developing a common risk assessment methodology that is aligned with the institution's objectives at strategic, tactical and operational levels for approval by the Accounting Officer,

f) Coordinating risk assessments within the Municipality / directorate / sub-directorate as outlined in the policy,

g) Sensitizing management timeously 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 efficiently and timeously,

h) Assisting management in developing and implementing risk responses for each identified material risk,

i) Participating in the development of the combined assurance plan for the institution, together with internal audit and management,

j) Ensuring effective information systems exist to facilitate overall risk management improvement within the institution,

k) Collates and consolidates the results of the various assessments within the institution,

l) Analyze 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,

m) Compiles the necessary reports to the Risk Management Committee,

n) 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,

o) Report administratively to DED: Operations and functionally to Risk Management Committee.

12. ROLES OF ALL OFFICIALS

Each official will be responsible for:

a) Familiarity with the overall enterprise risk management vision, risk management strategy, fraud management policy and risk management policy;

b) Acting in terms of the spirit and letter of the above;

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

d) Adhering to the code of conduct for the municipality;

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

f) Providing information and cooperation with other role players;

g) Participation in risk identification and risk assessment within their business unit;

h) Implementation of risk responses to address the identified risks.

13. ROLE OF RISK CHAMPIONS

a) Ensure that divisions are effectively implementing the Risk Management Strategy.

b) Identify and report risk related activities within their Directorates.

c) Be a point of entry for risk management officials within their respective division.

14. DISCLOSURE

In order for risk management to work, it must be embedded into everyday activities of the Municipality. It should be integrated into the reporting process. Risk should be part of every decision that is made, every objective that is set and every process that is designed. Risk management will be integrated into the reporting processes of Heads of Departments in strategic planning meetings of the Municipality that are held on a quarterly basis.

a) Every Head of Department shall on a quarterly basis and during the strategic planning meetings of the Municipality disclose that:

   I. 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.

   II. there is an on-going process for identifying, evaluating and managing the significant risks faced by the directorate concerned.

   III. there is an adequate and effective system of internal control in place to mitigate the significant risks faced by the directorate concerned to an acceptable level.

   IV. there is a documented and tested process in place which will allow the directorate to continue its critical business process in the event of disastrous incident impacting on its activities. This is commonly known as business continuity plan and should cater for worst-case scenario.

   V. that the directorate complies with the process in place, established to review the system of internal control for effectiveness and efficiency.

b) Where the Head of Department cannot make any of the disclosures set out above he or she should state this fact and provide a suitable explanation.

15. INTEGRATING RISK MANAGEMENT PLANNING PROCESS

The developed risk management planning process includes a sequence of activities that will occur every year. The risk management planning 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 directorates within Municipality.

16. CONCLUSION

Risk Management is a powerful management tool to deal with uncertainties in the environment, and to establish preventative mechanism to boost service delivery, while tapering the scope of corruption, misconduct and unethical professional behavior.

However, it is also an effective decision making tool, of which assist management to take the correct decisions in an uncertain environment. The development of a culture of risk management and specific procedures for implementation will assist public servants to focus on risk analysis and response. This will improve the quality of strategic plans, which will assume both predictive and preventative dimensions.

To this end, Mangaung Metropolitan Municipality takes full responsibility to ensure that the implementation of risk management takes place in all directorates.

This Risk Management Strategy will be reviewed annually/as and when the need arise. The approval of this strategy rest with the municipal council with recommendation of the Accounting Officer and Risk Management Committee.

Compiled by:

____

Ms. MM. Mototo
Chief Risk Officer

Recommended by:

____

Ms. L Ralikonyana
Chairperson
Risk Management Committee

Recommended for approval by:

____

Adv. TB Mea
City Manager