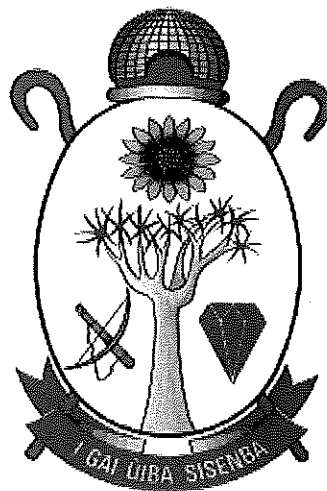


# **NAMA KHOI MUNICIPALITY**



## **RISK MANAGEMENT STRATEGY 2016/17**

*Lif*

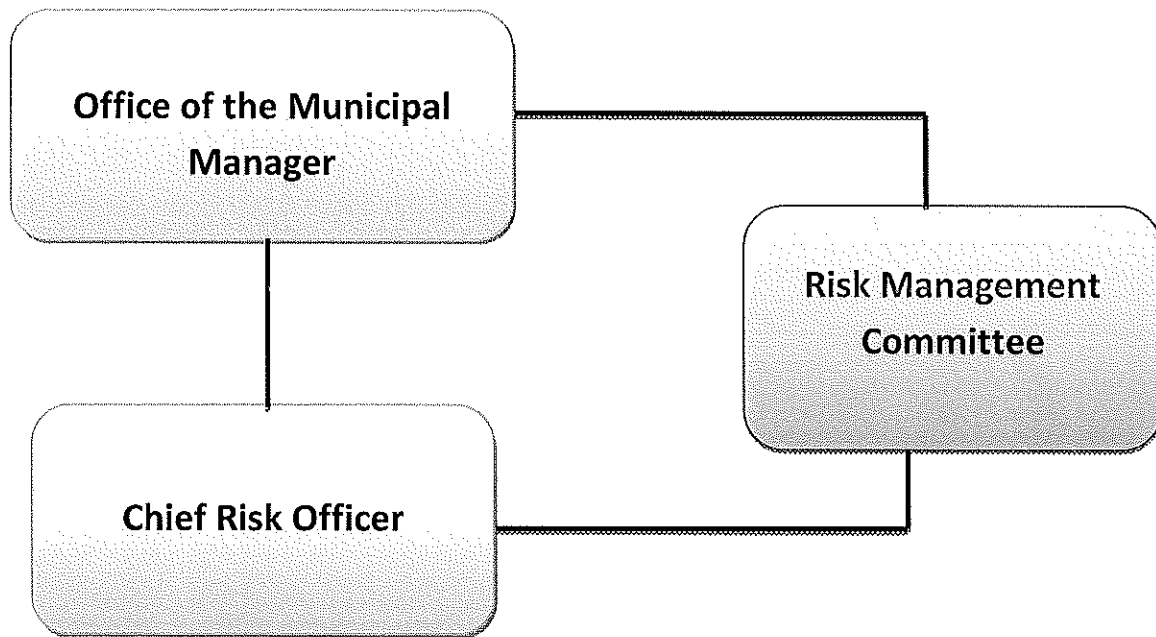
## 1. PURPOSE

Nama Khoi Local Municipality risk management strategy is aimed at outlining a plan on how Municipality will go about implementing its risk management policy. This strategy is informed by the risk management policy and the department's risk profile.

## 2. STRUCTURAL CONFIGURATION

The ideal organizational structure must consist of risk management unit whereby the chief risk officer is directly reporting to the Municipal Manager. Chief Risk Officer is responsible for coordination of all risk management activities in the Municipality. The Risk Management practitioner should also report to Risk Management Committee subsequent to its establishment.

The following structure is applicable to the municipality:



### 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) (c) 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.

In order to assist the Accounting Officer in execution of his/her risk responsibilities, he/she will ensure establishment of a Risk Management Committee (RMC) and appoint an independent external member to serve as chairperson, and this chairperson may be a member of the Audit Committee

#### 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 programs and activities.
- Determines the acceptable risks levels based upon ongoing risk assessments.
- 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 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 improvements 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 consists of eight interrelated components, namely:

- ✓ The control environment;
- ✓ Objective setting;
- ✓ Risk identification;
- ✓ Risk assessment;
- ✓ Risk management strategy;
- ✓ Information and communication;
- ✓ Control activities; and
- ✓ Monitoring

### 4.1 Risk Assessment

Risk assessment will be conducted annually. Existing risk registers should be reviewed and updated on quarterly basis as well as identification of new/emerging risks 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 risks as well as mitigation of existing risks.

### 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 risks 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

## 5. TREATMENT OF RISKS – RISK MITIGATION

### 5.1 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 Departments:

- Treat
- Tolerate
- Terminate
- Transfer

### 5.2 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.

## 6. MONITORING OF THE ACHIEVEMENTS OF THE RISK MANAGEMENT STRATEGY

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

6.2 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 assessments and allocation efforts.

6.3 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 outcomes as envisaged.

6.4 The objectives are to determine if:

- risk mitigation action plans have been implemented as planned
- risk mitigation action plans are as effective as expected
- level of risk priority has changed from its prior state
- a risk event has occurred
- proper policies and procedures were followed
- risks not previously identified have occurred

## 7. ASSURANCE ACTIVITIES

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

- Nama Khoi Internal Audit
- Auditor General

## 8. REVIEW OF THE RISK MANAGEMENT STRATEGY

Nama Khoi Local Municipality Risk management strategy is subject to an annual review.

## 9. APPROVED AND IMPLEMENTATION OF POLICY

<b>POLICY NUMBER:</b>	<b>IMPLEMENTATION DATE:</b> 01 July 2016
<b>COUNCIL APPROVAL:</b>	<b>DATE:</b> <u>6 Junie</u> 2016

