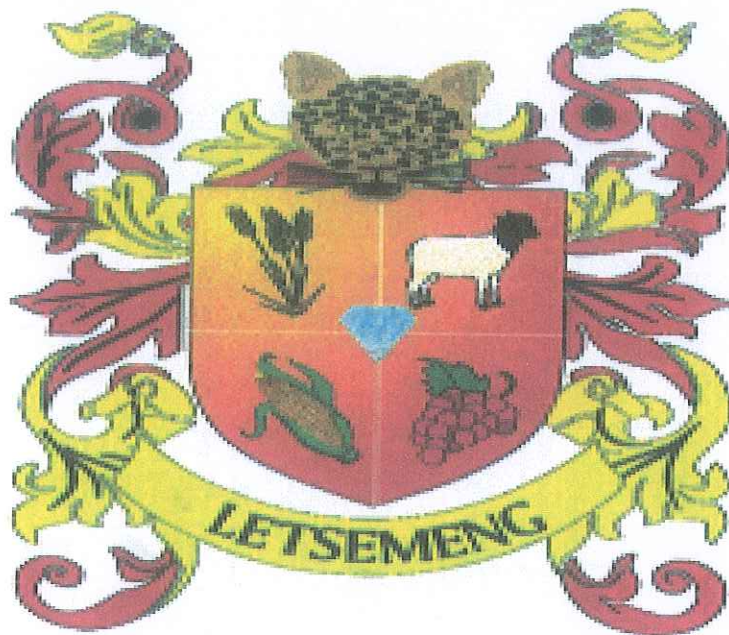


LETSEMENG LOCAL MUNICIPALITY



RISK MANAGEMENT STRATEGY

2019 - 2020

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1. INTRODUCTION

Letsemeng Local Municipality is faced with internal and external factors and influences that make it uncertain as to whether and when they will achieve its objectives. The effect this uncertainty has on an organization's objectives is called "**risk**". All activities of an organization involve risks.

Risk Management Strategy is developed in line with the best practice namely: MFMA sec 62 (1) (c) (i) which state that Municipality must have effective and efficient and transparent systems of risk management, ISO 31000 and King III Report on corporate governance.

The development of this Risk Management is a systematic, timely and structured approach to risk management which contributes to efficiency and to consistent, comparable and reliable results.

2. THE NEED

The need to manage risk systematically applies to all directorates and to all functions and activities within a Municipality.

An effective risk management strategy helps the Municipality to meet its objectives by ensuring that everyone has a clear understanding of:

- 2.1. the objectives of the Municipality,
- 2.2. factors that could impact on the Municipality's ability to meet those objectives,
- 2.3. 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.

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3. OBJECTIVES

The objectives of Risk Management Strategy are as follows:

- 3.1. To provide and maintain a working environment where everyone is following sound risk management practices and is held accountable for achieving results;
- 3.2. To provide with the framework on which the employees will utilise to implement risk management;
- 3.3. 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;
- 3.4. 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

Risks: Any threat or event that has a reasonable chance of occurrence in the future, which could undermine the institutions pursuit of its goals and objectives. Risk Manifest as negative impacts on goals and objectives or as missed opportunities to enhance institutional performance. Stakeholders expect Municipality to anticipate and manage risks in order to eliminate waste and inefficiency, reduce shocks and crises and to continuously improve capacity for delivering on their institutional mandates.

Risk Management: Risk management is a continuous, proactive and systematic process, effected by a Municipality's Council, accounting officer, management and other personnel, applied in strategic planning and across the Municipality, designed to identify potential events that may affect the Municipality, and manage risks to be within its risk tolerance, to provide reasonable assurance regarding the achievement of Municipality objectives.

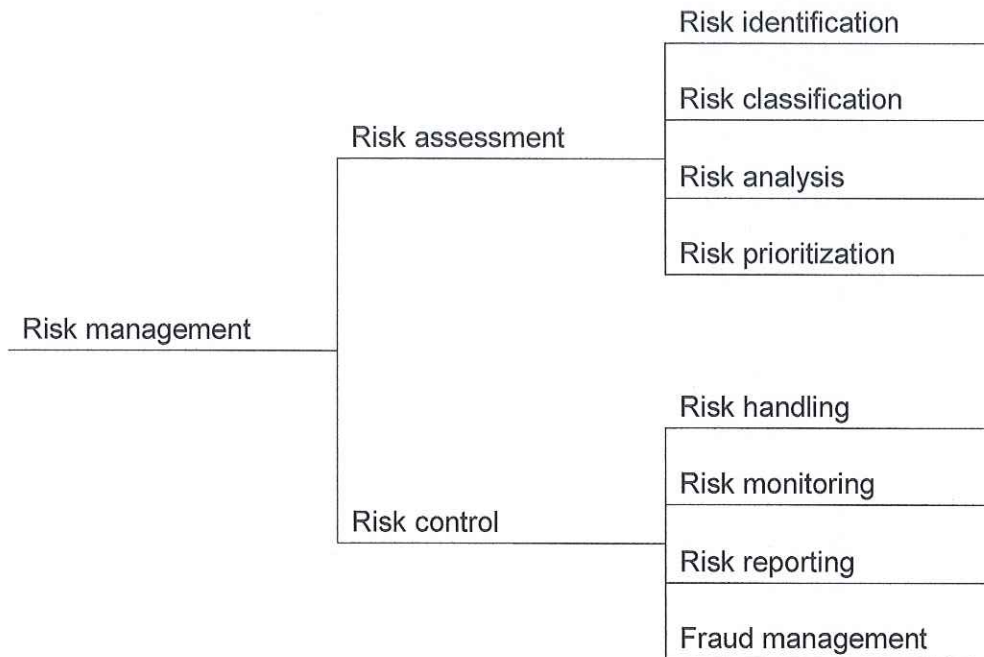
Enterprise Risk Management: Enterprise risk management (ERM) is the application of risk management throughout the Municipality rather than only in selected business areas or disciplines.

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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:	A risk that is intrinsic (a risk which it is impossible to manage) to Municipality activity and arises from exposure and uncertainty from potential events. It is evaluated by considering the degree of probability and potential size of an adverse impact on strategic objectives and other activities.
Residual Risk:	The risk remaining after management took action to reduce the impact and likelihood of an adverse.
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 with the skills, knowledge and leadership required to champion the risk management cause.
Risk Appetite:	The amount of residual risk that the institution is willing to accept.
Risk Tolerance:	The amount of risk the institution is capable of bearing (as opposed to the amount of risk it is willing to bear)

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 the 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

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- Control risk
- Detection risk

Every Municipality is subject to its own inherent and control risks and these risks should be catalogued for use in risk assessment.

The Municipality 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 the "risk that is intrinsic (a risk which it is impossible to manage) to Municipality activity and arises from exposure and uncertainty from potential events. 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.

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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 program managers. By developing a common Municipality risk language, program managers can talk with individuals in terms that everybody understands.

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

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

Natural hazards	Risks arising out of natural hazards such as floods, wildfires, earthquakes, hurricanes, thunderstorms, or snowstorms.
Contracts and legal relationships	Risks arising out of the Municipality's legal or contractual relationships.
Financial operations	Risks arising out of the Municipality's financial affairs, including collection of own revenue, expenditure, and all internal and external control procedures
Misconduct by public officials and employees	Risk arising from employees' deliberate misconduct.
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.
Economic conditions	Risks arising from the general economic condition of the community.
Dependence on outside suppliers	Risks arising from the Municipality's dependence on outside suppliers of goods, services, and utilities.
Property loss	Risks to the property that the government uses to conduct its business (owned, leased or borrowed).
Workforce	Risks arising from the government maintaining a workforce, including acts and omissions from employees.

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:

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

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RISK MAPPING THAT MUNICIPALITY WILL USE TO PLOT RISKS:

LIKEHOOD	Almost Certain	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	Catastrophic
		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 or the community.

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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

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

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. (Probability = 50 – 75% p.a.)
2	Unlikely	The risk could occur at least once in the next 3 - 4 years. (Probability = 35 – 50% p.a.)
1	Rare	The risk will probably not occur, i.e. less than once in 5 years. (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.

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

- a) Geographical dispersion of operations;
- b) Complexity of activities – management judgments;
- c) Pressure to meet objectives;
- d) Frequency of losses;
- e) Competency, adequacy and integrity of personnel;
- f) Degree of computerised systems;
- g) Vague objectives/mandates;
- h) Time constraints;
- i) Potential of conflict of interest; and
- j) 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 for the Municipality and per directorate.

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.

Risk Appetite and Tolerance Level

5.4.1 Risk Appetite

Risk Appetite is the amount of risk that is accepted in pursuit of achieving objectives. The municipality has adopted a quantitative approach in determining risk appetite, reflecting and balancing goals for growth, return and risk. Risk appetite is directly related to strategy. It is considered in strategy setting, where the desired return from strategy should be aligned with the risk appetite.

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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.

5.4.1 Risk Tolerance

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

i) Acceptable risks

- 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. The associated risks of proposed actions and decisions should be properly identified, evaluated and managed to ensure that exposures are acceptable.
- b) Within the municipality, particular care is needed in taking any action which 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 fine by regulatory bodies and
 - v. Result in financial loss
- c) Any impact or opportunity which has a sizeable potential impact on any of the 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

ii) Prohibited Risks

- a) Municipality policies and guidelines and other control procedures are mandatory and must be complied with e.g. MFMA. Full compliance with these standards is required and confirmation of compliance will be sought in the Municipality's annual report. Non-compliance with constitutes an unacceptable risk.

Recommended model for the municipality risk tolerance level

The residual risks (exposure arising from a specific risk after controls to minimize risk have been considered) will be used to determine the risk tolerance level. The following risk tolerance level model is;

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Risk priority	Risk acceptability	Proposed actions
High risks	Unacceptable	Drastic action plans needed to reduce the risk Continuous monitoring Action plans (avoid/transfer/Reduce) Allocate resources Contingency plans Remedial actions HOD's attention required
Medium risks	Unacceptable	Implement further actions to reduce likelihood of risk occurrence Draw action plans to mitigate risks Senior Management attention required Monitor at least quarterly
Low risks, except those falling within financial and fraud categories	Acceptable	No further risk reduction required Continue control Monitor at least annually

5.5 Risk handling

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

Avoidance:

Risk avoidance involves eliminating the risk-producing activity entirely (or never beginning it). Although avoidance 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.

Reduction:

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, reduce the resulting damages, or both. An example of a risk reduction strategy is the preparation, before a loss occurs, of contingency plans to expedite recovery from the loss.

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Control:

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.

Transfer:

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 directorate 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 program managers 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 risk indicators must therefore be developed by the management risk management committee to facilitate the monitoring of each key risk.

Management and risk committee will monitor key risk indicator's values with reference to risk tolerance and appetite.

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 management register. The register will 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

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- 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.

5.8 Fraud management

The Risk Officer will develop fraud prevention plan and be reviewed by risk management committee annually.

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

This fraud prevention plan 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.

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

6. ESTABLISHMENT OF RISK MANAGEMENT COMMITTEES

The Municipality will establish a risk management committee and be appointed in writing by the Accounting Officer.

7. RESPONSIBILITIES AND FUNCTIONS OF RISK MANAGEMENT COMMITTEE

- 7.1 Review the risk management policy and strategy and recommend for approval by the Accounting Officer;
- 7.2 Review the risk appetite and tolerance and recommend for approval by the Accounting Officer;
- 7.3 Review the institution's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
- 7.4 Evaluate the effectiveness of mitigating strategies to address the material risks of the Institution;
- 7.5 Report to the municipal manager any material changes to the risk profile of the Institution;
- 7.6 Review the fraud prevention policy and recommend for approval by the municipal manager;
- 7.7 Evaluate the effectiveness of the implementation of the fraud prevention policy;
- 7.8 Review any material findings and recommendations by assurance providers on the system of risk management and monitor that appropriate action is instituted to address the identified weaknesses;
- 7.9 Develop goals, objectives and key performance indicators for the Committee for approval by the municipal manger;
- 7.10 Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activity;
- 7.11 Set out the nature, role, responsibility and authority of the risk management function within the Institution for approval by the municipal manger, and oversee the performance of the risk management function;
- 7.12 Provide proper and timely reports to the municipal manger on the state of risk management, together with aspects requiring improvement accompanied by the Committee's recommendations to address such issues.

8. RESPONSIBILITIES OF ACCOUNTING OFFICER/MUNICIPAL MANAGER

The Accounting Officer shall be responsible for the following:

- 8.1. 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),

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- 8.2. Place the key risks at the forefront of the management agenda and devote attention to overseeing their effective management,
- 8.3. Approves the institution's risk appetite and risk tolerance,
- 8.4. Hold management accountable for designing, implementing, monitoring and integrating risk management principles into their day-to-day activities,
- 8.5. Leverage the Audit Committee, Internal Audit, Risk Management Committee and other appropriate structures for assurance on the effectiveness of risk management,
- 8.6. Provide all relevant stakeholders with the necessary assurance that key risks are properly identified, assessed, mitigated and monitored,
- 8.7. Provide appropriate leadership and guidance to senior management and structures responsible for various aspects of risk management.

9. RESPONSIBILITIES OF MANAGEMENT:

- 9.1. Integrating risk management into planning, monitoring and reporting processes, and the daily management of programs and activities,
- 9.2. Creating a culture where risk management is encouraged, practised, rewarded and risk management infrastructure is provided.
- 9.3. Aligns the functional and institutional risk management methodologies and processes,
- 9.4. Implements the directives of the Accounting Officer concerning risk management,
- 9.5. Maintains a harmonious working relationship with the Risk Officer and supports the Risk Officer in matters concerning the functions risk management,
- 9.6. Acknowledges the "ownership" of risks within their functional areas and all responsibilities associated with managing such risks;
- 9.7. Assigning a manager to every key risk for appropriate mitigating action and to determine an action date;
- 9.8. Cascades risk management into their functional responsibilities;
- 9.9. Empowers officials to perform adequately in terms of risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;
- 9.10. Holds officials accountable for their specific risk management responsibilities;

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- 9.11. Maintains the functional risk profile within the institution's risk tolerance and appetite;
- 9.12. Provides reports on the functional risk management consistent with the institution's reporting protocols (including appearing before committees);
- 9.13. Aligns the functional and institutional risk management methodologies and processes;
- 9.14. Implements the directives of the Accounting Authority / Officer concerning risk management;
- 9.15. Maintains a harmonious working relationship with the CRO and supports the CRO in matters concerning the functions risk management;
- 9.16. Maintains a harmonious working relationship with the Risk Champion and supports the Risk Champion in matters concerning the functions risk management;
- 9.17. Keeps key functional risks at the forefront of the management agenda and devote personal attention in overseeing the management of these risks.
- 9.18. 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:

- 10.1. Provides assurance over the design and functioning of the control environment, information and communication systems and the monitoring systems around risk management,
- 10.2. Provides assurance over the Municipality's risk identification and assessment processes,
- 10.3. Utilises the results of the risk assessment to develop long term and current year internal audit plans,
- 10.4. 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.

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11. RESPONSIBILITIES OF THE RISK OFFICER

- 11.1. Develop risk management implementation plan of the Municipality,
- 11.2. 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,
- 11.3. Communicates the risk management policy, strategy and implementation plan to all stakeholders in the institution,
- 11.4. Continuously driving the risk management process towards best practice,
- 11.5. 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.
- 11.6. Coordinating risk assessments within the Municipality / directorate / sub-directorate as outlined in the policy,
- 11.7. Sensitising 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.
- 11.8. Assisting management in developing and implementing risk responses for each identified material risk,
- 11.9. Participating in the development of the combined assurance plan for the institution, together with internal audit and management,
- 11.10. Ensuring effective information systems exist to facilitate overall risk management improvement within the institution,
- 11.11. Collates and consolidates the results of the various assessments within the institution,
- 11.12. Analyse 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,
- 11.13. Compiles the necessary reports to the Risk Management Committee,
- 11.14. 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,

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11.15. Report administratively to Accounting Officer and functionally to Risk Management Committee.

12. ROLE OF OTHER OFFICIALS (Officials other than those charged directly with Risk Management Responsibilities)

Each official will be responsible for:

- i. Familiarity with the overall enterprise risk management vision, risk management strategy, fraud risk management policy and risk management policy;
- ii. Acting in terms of the spirit and letter of the above;
- iii. Applying the risk management process to their respective roles;
- iv. Focusing upon identifying risks and reporting these to the relevant risk owner. Where possible and appropriate, manage these risks;
- v. Acting within the risk appetite and tolerance levels set by the business unit;
- vi. Adhering to the code of conduct for the institution;
- vii. Maintaining the functioning of the control environment, information and communication as well as the monitoring systems within their delegated responsibility;
- viii. Providing information and cooperation with other role players;
- ix. Participation in risk identification and risk assessment within their business unit;
- x. Implementation of risk responses to address the identified risks;

13. ROLE OF RISK CHAMPIONS

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

LLM: RISK MANAGEMENT STRATEGY

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 process of managers in strategic planning meetings of the Municipality that are held on a quarterly basis.

- a) Every manager 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 Accounting Officer 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 Units within Municipality.

LLM: RISK MANAGEMENT STRATEGY

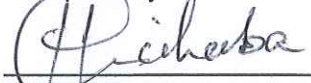
16. CONCLUSION

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

It is also an effective decision making tool, to 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 management 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, the Municipality takes full responsibility to ensure that implementation of risk management takes place in all directorates.

Compiled by:



T.H Lichaba

Risk Officer

Letsemeng Local Municipality

26/06/2019
Date:

Recommended for approval by:



Ms D.S Nage

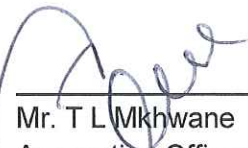
Chairperson:

Risk Management Committee

26 JUNE 2019

Date:

Approved by:



Mr. T L Mkhwane

Accounting Officer

Letsemeng Local Municipality

26/06/2019
Date: