

KAROO HOOGLAND MUNICIPALITY
RISK MANAGEMENT STRATEGY
2018/2019

STRATEGY INFORMED BY THE RISK MANAGEMENT POLICY:

AUTHORITY APPROVAL: _____

EFFECTIVE FROM: _____

1. PURPOSE & APPROVAL

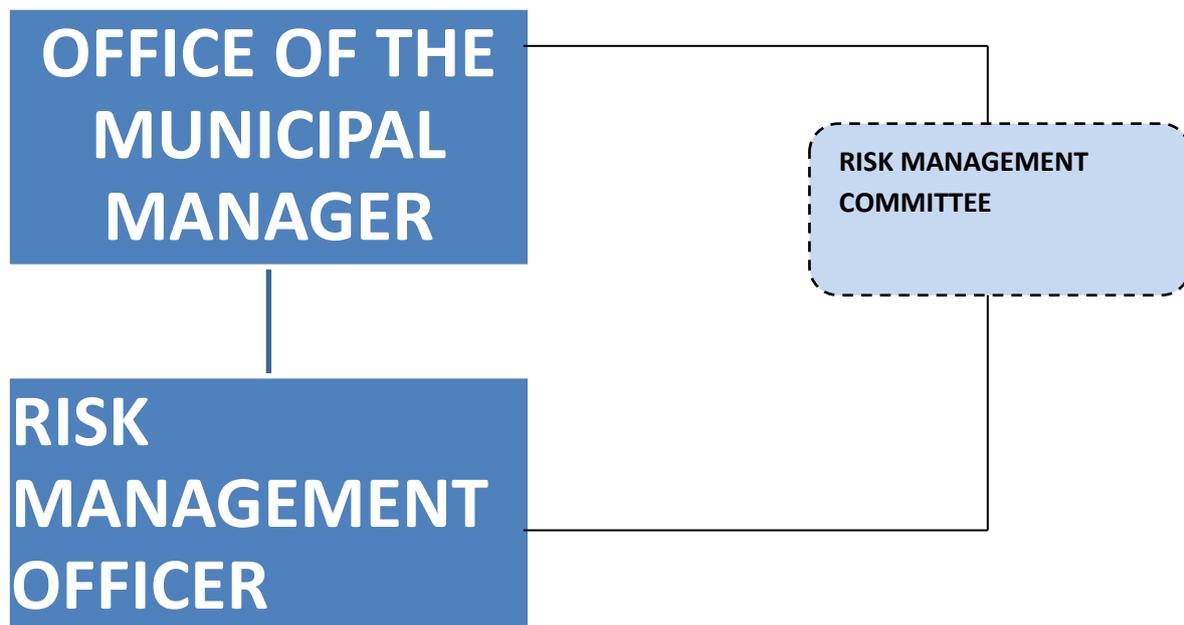
Karoo Hoogland Local Municipality risk management strategy is aimed at outlining a plan on how Municipality will go about implementing its risk management policy. This strategy is informed by the risk management policy and the department's risk profile.

2. PROPOSED STRUCTURAL CONFIGURATION

(Unit responsible for risk)

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

The structure is illustrated as follows:



(Risk Management duties will be assigned to a municipal employee as delegated by the MM)

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's 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.

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 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 RISK MANAGEMENT OFFICER

The Risk Management 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 audit and risk management committee.

3.4 AUDIT AND RISK MANAGEMENT COMMITTEE

The Risk Management Officer will report to the Audit and Risk Management Committee 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 improvements to the adequacy and effectiveness of risk management processes.

3.6 OTHER PERSONNEL

All other Officials within the 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, non-compliance 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:

- a) The control environment;
- b) Objective setting;
- c) Risk identification;
- d) Risk assessment;
- e) Risk management strategy;
- f) Information and communication;
- g) Control activities; and
- h) Monitoring

4.1 RISK ASSESSMENT

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

4.2 RISK REPORTING STANDARDS

The Risk Management 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.

5. RISK TOLERANCE LEVEL

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

Rationale on which risks the 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 the 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 RISKS – 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 Risk Management 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 ACHIEVEMENTS 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 risks 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 assessments and allocation efforts.

7.3 The **Audit and 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.

7.4 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

8. ASSURANCE ACTIVITIES

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

- Internal Audit
- Labour Relations and Legal Services
- Municipal Information Technology Services
- Office of the Auditor General
- Internal Control

9. REVIEW OF THE RISK MANAGEMENT STRATEGY

Karoo Hoogland Municipality's Risk management Strategy is subject to an annual review.