

**AGENDA of the
Portfolio Committee : Management Services
22 May 2017
(Also the agenda for the Mayoral Committee Meeting : 31 May 2017)**

**4.
RISK MANAGEMENT STRATEGY AND POLICY 2017/2018**

2/B

A Riddles

(028) 313 5044

Corporate Head Office

18 April 2017

1. Executive Summary

To obtain Council's approval for the Risk Management Strategy as well as the Risk Management Policy for the financial year 2017-2018, that have been reviewed by the Risk Management Committee.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate: Management Services
Risk Management Unit

3. Compliance with Strategic Priority

Provision of democratic, accountable and ethical governance

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act, 2003, Act 56 of 2003 (MFMA)

6. Background/Discussion

Section 62 1 (c)(i) and 95(c)(i) of the MFMA requires the Accounting Officer of a Municipality to be responsible for managing the financial administration of the Municipality, and must for this purpose take all reasonable steps to ensure- that the Municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal controls.

The principles of the King Report on Governance for South Africa, 2009 (King III) has three main focus areas which emphasise the need for annual revision of these documents by Council:

- ✓ The essential emphasis of the code is that the Council should exercise **leadership** to prevent risk management from becoming a series of activities that are detached from the realities of the council's business.

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- ✓ King III positions risk as a cornerstone of **governance** and risk is substantially different to the requirement to implement risk management.
- ✓ Greater emphasis is placed on the **accountable** leadership structure to ensure that it is satisfied with the management of risk.

In order to give effect to the Act and these principles of Good Governance as well as to the responsibility of the Accounting Officer, the reviewed Risk Management Strategy and Policy must be approved annually to implement systems for risk management activities and internal controls.

The Risk Management Strategy and Policy have last been reviewed on 29 March 2017 for the 2016-2017 financial year. The following significant additions have since been made to the Risk Management Strategy and Policy for the 2017-2018 financial year which requires Council's approval:

- ✓ Ethics Management
- ✓ Business Continuity
- ✓ Combined Assurance

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A: Risk Management Strategy
Annexure B: Risk Management Policy

RECOMMENDATION TO THE COUNCIL:

1. that the Risk Management Strategy **be approved**; and
2. that the Risk Management Policy **be approved**.

RESPONSIBLE OFFICIAL :

A RIDDLES

TARGET DATE FOR IMPLEMENTATION :

1 JULY 2017

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**4.
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A Riddles

(028) 313 5044

Corporate Head Office

18 April 2017

**THIS MATTER SERVED BEFORE THE JOINT PORTFOLIO COMMITTEE ON
22 MAY 2017, WHICH COMMITTEE RECOMMENDED AS FOLLOWS:**

RECOMMENDATION TO THE COUNCIL:

1. that the Risk Management Strategy **be approved**; and
2. that the Risk Management Policy **be approved**.

RESPONSIBLE OFFICIAL :

A RIDDLES

TARGET DATE FOR IMPLEMENTATION :

1 JULY 2017

OVERSTRAND MUNICIPALITY



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1. INTRODUCTION

The risk management strategy outlines a high level plan on how the Municipality will go about implementing risk management within the Municipality. The strategy is designed to provide all role players with the necessary information to enable them to fully understand the roles and responsibilities of their office in terms of risk management processes.

2. MISSION OF RISK MANAGEMENT

To ensure that the strategic objectives are achieved and without compromising our stakeholders' trust and quality of our service, an effective approach to management of risks must be taken to minimise losses and maximise opportunities. Identify and prioritise potential risk events and to use established risk management methods, tools and techniques to assist the Municipality. Inform and assist the executive and personnel on their roles and responsibilities to guarantee that the risks relating to their particular area of control are managed to ensure that the best outcome is achieved.

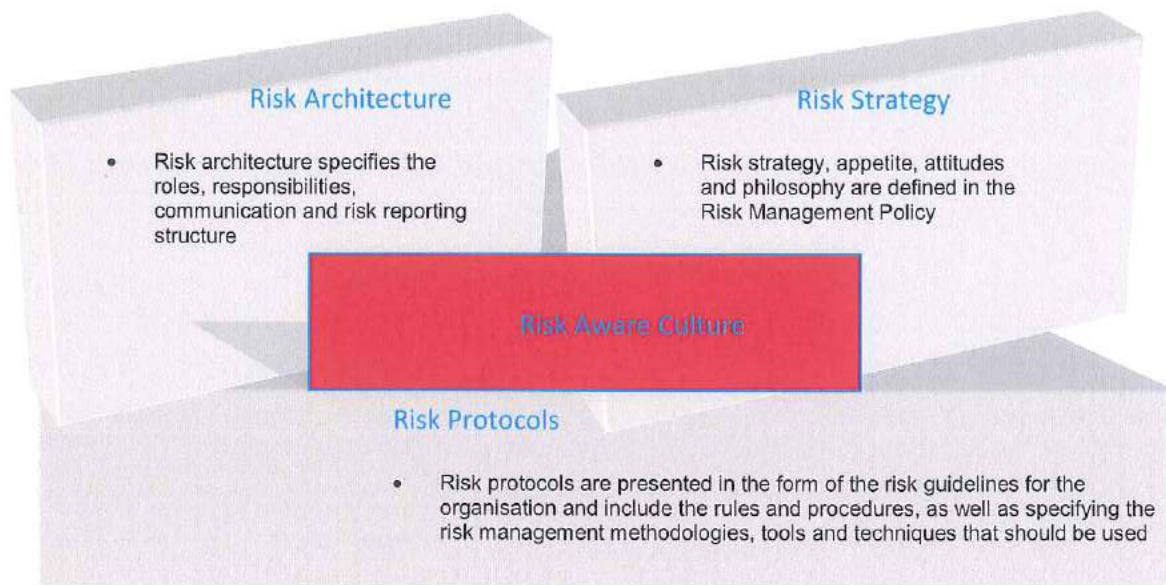
3. OBJECTIVES OF RISK MANAGEMENT

The objectives of a risk management strategy are to:

- Align strategic objectives with supporting processes, risk and control;
- Drive specific risk management and control processes to respond to the potential threats and opportunities;
- Provide a common understanding of how the Municipality, its business processes and people, describe and prioritise objectives, risk and control;
- Embed instinctive and consistent consideration of risk and reward in the day-to-day planning and achievement of objectives; and
- Provide clarity on the Municipality's risk appetite – risks must be taken in the pursuit of opportunities.

4. RISK AWARE CULTURE

Risk management should be integrated into the culture of the Municipality and this will include mandate, leadership and commitment. It should translate risk strategy into tactical and operational objectives, and assign risk management responsibilities throughout the organisation. It should support accountability, performance measurement and reward the promoting of operational efficiency at all levels. A good risk aware culture can be achieved by establishing an appropriate risk architecture, strategy and protocols.



5. PRINCIPLES OF RISK MANAGEMENT

Risk management is a central part of the strategic management of any organisation. It is the process whereby organisations methodically address the risks attached to their activities. A successful risk management initiative should be proportionate to the level of risk in the organisation, aligned with other corporate activities, comprehensive in its scope, embedded into routine activities and dynamic by being responsive to changing circumstances.

Since Overstrand Municipality is a local government institution and the primary reason for its existence is the delivery of services with profit secondary, the approach to risks and risk management will differ from the more commonly known approaches of profit companies due to law and regulations regarding service delivery and risk management for local government and the different strategies of non-profit and profit entities.

6. OPPORTUNITY RISK MANAGEMENT

Events can have positive outcomes too. These events are commonly known as opportunities.

Risks can be mitigated in such a way that it not only address the negative consequences on the Municipality's objectives, but contributes to the achievement of the objectives. The risk response is thus turned into an opportunity to improve or innovate.

Including opportunities in the risk management of the Municipality will prevent a culture of only focusing on risk events and missing the opportunities among the risks, and assist with the creation of a culture of designing risk responses in such a way that it not only focusses on reducing or eliminating the risk, but goes beyond and

improve or innovate the whole strategic/operational process that is affected by the risk.

7. ENTERPRISE RISK MANAGEMENT PROCESSES

The Enterprise Risk Management (ERM) process can make major contributions towards helping the Municipality achieve its objectives. The ERM processes, which focus on the organisational goals, objectives and strategy, are clinical in nature. The ERM process is as follows:

- Identification or establishment of organisational objectives using the four categories: Strategic, Operational, Compliance and Reporting.
- Determination of risk appetite and risk tolerance;
- Risk identification, assessment (analysis, measurement) and prioritisation;
- Identification and design of risk mitigation strategies and responses, as well as capabilities;
- Implementation of risk mitigation strategies and action plans;
- Measuring the risk exposure, monitor and communicate results;
- Integrate results with decision making processes.

Overstrand Municipality's ERM process is explained in detail in the Risk Management Policy.

8. RISK CLASSIFICATION

Overstrand Municipality classifies risks in accordance with the regulations and frameworks applicable to government institutions.

8.1. RISK TYPES

The Municipality can be exposed to different types of risks which may be internal or external to the Municipality.

Internal risks are risks emanating from within the Municipality and over which the Municipality to a large extent has control over its occurrence.

External risks are risks emanating from outside the Municipality and the Municipality has little or no control over its occurrence.

8.2. RISK LEVELS

Risks have been arranged into five main levels: Strategic Risks, Operational Risks, Project Risks, Incident Risks and Emerging Risks.

Strategic Risks: risks that affect the Municipality's ability to achieve its strategic goals, based on strategic planning, corporate or operating structure or business models.

Operational Risks: risks associated with the functioning of operational processes, people, information systems and management involved in the daily operations of the Municipality.

Project Risks: specific risks associated with the implementation and completion of projects regulated by provincial or national government departments or state agencies. Not all capital projects' risks are project level risks.

Incident Risks: risks that come to light / incidentally occur during the financial year, but were not captured in the initial risk register for that particular financial year.

Emerging Risks: risks that could realise in the future, by taking into account processes involving a future event. In other words newly developing or changing risks which are difficult to quantify and which could have a major impact on the Municipality.

8.3. RISK CATEGORIES

Risks are categorised based on their origin and the area they affect.

The following risk categories for internal risks have been identified:

- Litigation
- Material Resources
- Service Delivery
- Information Technology
- Third Party Performance
- Compliance
- Human Resources
- Knowledge and Information Management
- Occupational Health and Safety
- Theft
- Fraud and Corruption
- Financial Environment
- Political Environment
- Reputational Risks

- Interdepartmental and interrelated functions

The following risk categories for external risks have been identified:

- Economic Environment
- Political Environment
- Social Environment
- Natural Environment
- Technological Environment
- Cultural Environment

The risk categories are explained in Overstrand Municipality's Risk Management Policy.

9. ACCOUNTABILITY, ROLES AND RESPONSIBILITIES

Legislating the implementation of risk management in public sector institutions is part of a macro strategy of National Government towards ensuring the achievement of national goals and objectives.

Overstrand Municipality has opted to implement a risk management unit jointly with other municipalities as it is not cost effective to establish a sole risk management unit. The joint risk management unit took the form of a shared services centre (SSC). The SSC acts as Overstrand Municipality's risk management unit.

9.1. MUNICIPAL COUNCIL

9.1.1. Legal Mandate and Frameworks

The following legislative instruments provide the legal foundation for the Municipal Council's responsibility for risk management:

- **Section 44 (2) of the Local Government: Municipal Structures Act (Act 117 of 1998)**
- **Section 52 (b), (e) and 58 of the Local Government: Municipal Finance Management Act (Act 56 of 2003)**

The following frameworks provide the recommended practice guidelines for the Municipal Council regarding risk management:

- **Chapter 10 of the Public Sector Risk Management Framework**

9.1.2. Role and Responsibilities

As risk management is an important tool to support the achievement of this goal, it is important that the Municipal Council provides leadership to governance and risk management. To derive optimal benefits, risk management ought to be conducted in a systematic manner, using proven methodologies, tools and techniques, while taking into account the unique circumstances of the Municipality.

High level responsibilities of the Municipal Council in risk management include:

- Providing oversight and direction to the Municipal Manager on the risk management related strategy and policies;
- Having knowledge of the extent to which the Municipal Manager and management has established effective risk management in their respective departments;
- Awareness of and concurring with the Municipality's risk appetite and tolerance levels;
- Reviewing the Municipality's portfolio view of risks and consider it against the Municipality's risk tolerance and risk appetite;
- Influencing how strategy and objectives are established, institutional activities are structured, and risks are identified, assessed and acted upon;
- Requiring that management should have an established set of values by which every employee should abide by; and
- Insist on the achievement of objectives, effective performance management and value for money.

9.2. MUNICIPAL MANAGER

9.2.1. Legal Mandate and Frameworks

The following legislative instruments provide the legal foundation for the Municipal Manager's responsibility for risk management:

- **Section 62 (1)(c)(i) of the Local Government: Municipal Finance Management Act (Act 56 of 2003)**

The following frameworks provide the recommended practice guidelines for the Municipal Manager regarding risk management:

- **Chapter 11 of the Public Sector Risk Management Framework**
- **Principle 4 of the King III Code of Governance Principles**

9.2.2. Role and Responsibilities

To derive optimal benefits, risk management is conducted in a systematic manner, using proven methodologies, tools and techniques, while taking into account the unique circumstances of the Municipality. The Municipal Manager ensures that the responsibility for risk management vests at all levels of management and that it is not only limited to the Municipal Manager. The Municipal Manager also ensures that a risk assessment is conducted regularly to identify emerging risks.

High level responsibilities of the Municipal Manger include:

- Set the tone at the top by supporting ERM and allocating resources towards the implementation thereof;
- Establishing the necessary structures and reporting lines within the Municipality to support ERM;
- Influencing an institutional “risk aware” culture;
- Approving the code of conduct for the Municipality and holding management and officials accountable for adherence;
- Endorsing the code of ethics and holding management and officials accountable for adherence;
- Place the key risks at the forefront of the management agenda and devote personal attention to overseeing their effective management;
- Hold management accountable for designing, implementing, monitoring and integrating risk management principles into their day-to-day activities;
- Holding the structures responsible for risk management activities accountable for adequate performance;
- Ensuring that a conducive control environment exists to ensure that identified risks are proactively managed;
- Leverage the Joint Audit & Performance Audit Committee, Internal Audit Services, Risk Management Committee and other appropriate structures for assurance on the effectiveness of risk management;
- Provide all relevant stakeholders with the necessary assurance that key risks are properly identified, assessed, mitigated and monitored;
- Consider and act on recommendations from the Joint Audit & Performance Audit Committee, Internal Audit Services, Risk Management Committee and other appropriate structures for improving the overall state of risk management;
- Provide appropriate leadership and guidance to senior management and structures responsible for various aspects of risk management.

9.3. OVERBERG RISK MANAGEMENT SHARED SERVICES CENTRE (SSC)

9.3.1. Legal Mandate

The following legislative instruments provide the legal foundation for the SSC's responsibility for risk management:

- **Service Level Agreement**

9.3.2. Role and Responsibilities

The primary role of the SSC is to provide standardised, competitive range of risk management support services to its customer municipalities, including Overstrand Municipality.

High level responsibilities of the SSC include:

- Review of risk management policies / frameworks for completeness and compliance;
- Investigate risk management best practices and develop risk management procedures accordingly;
- Develop criteria to evaluate impact and likelihood and ensure the Risk Management Policy of the Municipality is updated accordingly;
- Formulation of standards to be used in risk management;
- Implementation of a computerised risk management system;
- Support the Municipality with the establishment of internal structures to determine risk management responsibilities;
- Integration of risk management processes and key risks with the IDP and budget process;
- Provide assurance on the risk management processes that all critical risks and its impact have been identified and correctly evaluated;
- Prepare a consolidated risk register of the municipalities in the SSC to benchmark risks and identify best practices;
- Monitor critical risks and its impact;
- Organise training for municipal officials;
- Continuous risk assessments and reporting;
- Substance verification;
- Monitoring of risk management processes and reporting;
- Maintenance of risk registers;

- Facilitate meetings and procedures of the Risk Management Committee;
- Advise the Municipality on risk management;
- Provide support to Internal Audit Services;
- Maintain a loss control system and procedures.

9.4. CHIEF RISK OFFICER (CRO)

9.4.1. Legal Mandate and Frameworks

The following legislative instruments provide the legal foundation for the CRO:

- **Employment Contract**
- **Performance Agreement**

The following frameworks provide the recommended practice guidelines for the CRO regarding risk management:

- **Chapter 14 of the Public Sector Risk Management Framework**
- **Principle 4.4 of the King III Code of Governance Principles**

9.4.2. Role and Responsibilities

The primary responsibility of the CRO is to bring to bear his / her specialist expertise to assist the Municipality to embed and leverage the benefits of risk management to achieve its stated objectives. To derive optimal benefits, risk management ought to be conducted in a systematic manner, using proven methodologies, tools and techniques, while taking into account the unique circumstances of the Municipality. Focusing on enterprise-wide risk management programmes, the CRO is tasked with the overall efficiency of the ERM function. This is inclusive of the embedding of risk management practices and fostering a risk aware culture within the Municipality.

High level responsibilities of the CRO include:

- Communicating the risk management strategy, risk management policy and risk management implementation plan to all stakeholders in the Municipality;
- Continuously driving the risk management process towards best practice;
- Developing a common risk assessment methodology that is aligned with the Municipality's objectives at strategic, tactical and operational levels for approval by the Municipal Manager;
- Coordinating risk assessments within the municipality / directorate / department / section on a regular basis;

- Sensitising management timeously of the need to perform risk assessments for all major changes, capital expenditure, projects, institutional restructuring and similar events, and assist to ensure that the attendant processes, particularly reporting, are completed efficiently and timeously;
- Assisting management in developing and implementing risk responses for each identified material risk;
- Participating in the development of the combined assurance plan for the Municipality, together with Internal Audit Services and management;
- Champion combined assurance activities;
- Create and maintain the combined assurance model;
- Ensuring effective information systems exist to facilitate overall risk management improvement within the Municipality;
- Continuously transferring risk management principles and practices, through training interventions, to all stakeholders within the Municipality;
- Advise on the financing of risk action plans;
- Collating and consolidating the results of the various assessments within the Municipality;
- Analysing the results of the assessment process to identify trends, within the risk and control profile, and assess the adequacy of the control interventions.
- Compiling the necessary reports to the Risk Management Committee;
- Providing input into the development and subsequent review of the fraud prevention strategy, code of ethics, business continuity plans, occupational health and safety, environmental policies and practices and disaster management plans.

9.5. RISK MANAGEMENT COMMITTEE

9.5.1. Legal Mandate and Frameworks

The following frameworks provide the recommended practice guidelines for the Risk Management Committee regarding risk management:

- **Chapter 13 of the Public Sector Risk Management Framework**
- **Principle 4.3 of the King III Code of Governance Principles**

9.5.2. Role and Responsibilities

The Risk Management Committee is responsible for assisting the Municipal Manager in addressing its oversight requirements of risk management and evaluating and monitoring the Municipality's performance with regards to risk management. The role

of the Risk Management Committee is to formulate, promote and review the Municipality's ERM objectives, strategy and policy and monitor the process at strategic, management and operational levels.

The Risk Management Committee must also play a pivotal oversight role in ethics risk management and ethical behaviour within the Municipality.

High level responsibilities of the Risk Management Committee include:

- Review the risk management strategy, risk management policy and risk management implementation plan, and recommend for approval by the Municipal Council;
- Review the risk appetite and risk tolerance and recommend for approval by the Municipal Council;
- Review the progress made with the implementation of the risk management strategy of the Municipality;
- Review the Municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register, to ensure that all possible categories of risks, both internal and external, have been identified during the risk assessment process, including an awareness of emerging risks;
- Evaluate the effectiveness of mitigating strategies to address the material risks of the Municipality;
- Inform the Municipal Manager of any material changes to the risk profile of the Municipality;
- Review the fraud prevention policy and recommend for approval by the Municipal Council;
- Evaluate the effectiveness of the implementation of the fraud prevention policy;
- Review the code of ethics and recommend for approval by the Municipal Council;
- Evaluate the progress with the institutionalisation of an ethical culture;
- Evaluate the effectiveness of the incorporation of ethics risk management in the risk management process;
- Review and approve the combined assurance framework;
- Review the combined assurance model and evaluate the effectiveness of assurance activities;
- Review the business continuity framework and recommend for approval by the Municipal Council;

- 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;
- Develop goals, objectives and key performance indicators for the Risk Management Committee for approval by the Municipal Manager;
- Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management function for approval by the Municipal Manager;
- Set out the nature, role, responsibility and authority of the risk management function within the Municipality for approval by the Municipal Manager, and oversee the performance of the risk management function;
- Provide proper and timely information to the Municipal Manager on the state of risk management, together with aspects requiring improvement accompanied by the Risk Management Committee's recommendations to address such aspects.

9.6. JOINT AUDIT & PERFORMANCE AUDIT COMMITTEE

9.6.1. Legal Mandate and Frameworks

The following legislative instruments provide the legal foundation for the Joint Audit & Performance Audit Committee's responsibility for risk management:

- **Section 166 (2)(a)(ii) of the Local Government: Municipal Finance Management Act (Act 56 of 2003)**

The following frameworks provide the recommended practice guidelines for the Joint Audit & Performance Audit Committee regarding risk management:

- **Chapter 12 of the Public Sector Risk Management Framework**
- **Principle 3.8 of the King III Code of Governance Principles**

9.6.2. Role and Responsibilities

The Joint Audit & Performance Audit Committee is responsible for providing the Municipal Manager with independent counsel, advice and direction in respect of risk management. The stakeholders rely on the Joint Audit & Performance Audit Committee for an independent and objective view of the Municipality's risks and effectiveness of the risk management processes. In this way, the Joint Audit & Performance Audit Committee provides valuable assurance that stakeholder interests are protected.

High level responsibilities of the Joint Audit & Performance Audit Committee include:

- Gain a thorough understanding of the risk management strategy, risk management policy, risk management implementation plan and fraud risk management policy of the Municipality to enable them to add value to the risk management process when making recommendations for improvement of the process;
- Review and critique the risk appetite and risk tolerance of the Municipality, and recommend this for approval by the Municipal Manager and Council;
- Review the completeness of the risk assessment process implemented by the Municipality to ensure that all possible categories of risks, both internal and external, have been identified during the risk assessment process, including an awareness of emerging risks;
- Review the risk profile;
- Review the adequacy of adapted risk responses;
- Review the adequacy of management action plans to address risks and monitor the implementation thereof;
- Review the adequacy of the business continuity framework;
- Review the progress made with the implementation of the risk management strategy of the Municipality;
- Monitor the coordination and effectiveness of combined assurance activities and provide recommendations for improvement;
- Monitor the progress with the institutionalisation of an ethical culture;
- Review and recommend any risk disclosures in the annual report;
- Provide regular feedback to the Municipal Manger on the effectiveness of the risk management process implemented by the Municipality;
- Review the process implemented by Management in respect of the fraud prevention policy and ensure that all fraud related incidents have been followed up appropriately;
- Review and ensure that the internal audit plans are aligned to the risk profile of the Municipality;
- Review the effectiveness of the internal audit assurance activities and recommend appropriate action to address any shortcomings;

9.7. RISK CHAMPIONS

9.7.1. Legal Mandate and Frameworks

Certain responsibilities regarding risk management are delegated by the Municipal Manager to Risk Champions. The following legislative instruments provide the legal foundation for the Risk Champions' responsibility for risk management:

- **Section 62 (1)(c)(i) of the Local Government: Municipal Finance Management Act (Act 56 of 2003) (MFMA), delegated in terms of Section 79 (1)(b)(ii) of the MFMA**
- **Contract of appointment**
- **Performance Agreement**

The following frameworks provide the recommended practice guidelines for the Risk Champions regarding risk management:

- **Chapter 17 of the Public Sector Risk Management Framework**

9.7.2. Role and Responsibilities

The Risk Champion is a person with the skills, knowledge and leadership required to champion a particular aspect of risk management.

The Risk Champion acts as a change agent in the ERM process and is distinguished from risk co-ordinators as they are trouble shooters that facilitate resolution of risk related problems.

In order to be an effective and efficient risk champion, he / she must have:

- a good understanding of risk concepts, principles and processes;
- good analytical skills to assist with the analysis of root causes to risk problems;
- leadership and motivational qualities; and
- good communication skills.

High level responsibilities of the Risk Champion include:

- Escalate and resolve instances where risk management efforts are being stifled;
- Provide guidance and support to manage "problematic" risks and risks of a transversal nature;
- Ensure that risks are managed in a manner that reflects relevance, efficiency, effectiveness and progression;

- Ensure that the responsible persons update the risk register and risk action plans.

9.8. MANAGEMENT

9.8.1. Legal Mandate and Frameworks

The following legislative instruments provide the legal foundation for Management's responsibility for risk management:

- **Section 78 (1)(a) of the Local Government: Municipal Finance Management Act (Act 56 of 2003) (MFMA)**
- **Section 62 (1)(c)(i) of the MFMA, delegated in terms of Section 79 (1)(b)(ii) of the MFMA**

The following frameworks provide the recommended practice guidelines for Management regarding risk management:

- **Chapter 15 of the Public Sector Risk Management Framework**
- **Principle 4.4 of the King III Code of Governance Principles**

9.8.2. Role and Responsibilities

Management is accountable to the Municipal Manager for designing, implementing and monitoring risk management, and integrating it into the day-to-day activities of the Municipality. This needs to be done in such a manner as to ensure that risk management becomes a valuable strategic management tool for underpinning the efficacy of service delivery and value for money.

High level responsibilities of Management include:

- Acknowledge the "ownership" of risks within their functional areas and all responsibilities associated with managing such risks;
- Cascade risk management into their functional responsibilities;
- Empower officials to perform adequately in terms of risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;
- Hold officials accountable for their specific risk management responsibilities;
- Maintain the functional risk profile within the Municipality's risk tolerance and appetite;
- Provide reports on the functional risk management, consistent with the Municipality's reporting protocols (including appearing before committees);

- Align the functional and institutional risk management methodologies and processes;
- Implement the directives of the Municipal Manager concerning risk management;
- Maintain a harmonious working relationship with the CRO and support the CRO in matters concerning the functions of risk management;
- Maintain a harmonious working relationship with the Risk Champion and support the Risk Champion in matters concerning the functions of risk management;
- Keep key functional risks at the forefront of the management agenda and devote personal attention to overseeing the management of these risks.

9.9. INTERNAL AUDIT SERVICES

9.9.1. Legal Mandate and Frameworks

The following legislative instruments provide the legal foundation for Internal Audit Services' responsibility for risk management:

- **Section 165 (2) (a) and (b)(iv) of the Local Government: Municipal Finance Management Act (Act 56 of 2003)**

The following frameworks provide the recommended practice guidelines for Internal Audit Services regarding risk management:

- **Chapter 18 of the Public Sector Risk Management Framework**
- **Principle 4.9 and Recommended Practice 4.9.2 of the King III Code of Governance Principles**
- **International Standards for the Professional Practice of Internal Auditing – Performance Standard 2120.**

9.9.2. Role and Responsibilities

Internal Audit Services acts as an assurance provider and consultant for the Municipality regarding risk management.

High level responsibilities of Internal Audit Services include:

- Reviewing the risk philosophy of the Municipality. This includes the risk management strategy, risk management policy, fraud prevention plan, risk management reporting lines and the values that have been developed for the Municipality;

- Reviewing the appropriateness of the risk tolerance levels set by the Municipality, taking into consideration the risk profile of the Municipality;
- Providing assurance over the design and functioning of the control environment, information and communication systems and the monitoring systems;
- Providing assurance over the Municipality's risk identification and assessment processes;
- Utilising the results of the risk assessment to develop long term and current year internal audit plans;
- Providing independent assurance as to whether the risk management strategy, risk management implementation plan and fraud prevention plan have been effectively implemented within the Municipality;
- Providing independent assurance over the adequacy of the control environment. This includes providing assurance over the effectiveness of the internal controls implemented to mitigate the identified risks;
- Reporting on the adequacy of the assurance received over key risks by combined assurance activities.

10. REPORTING REQUIREMENTS

The reporting requirements in the risk management process are defined in the responsibilities of each role player.

The information regarding risk management must always reach the Municipal Manager, Joint Audit & Performance Audit Committee and Municipal Council. A communication strategy to ensure risk management information is shared between all the other role players should be established and monitored for effectiveness.

11. METHODOLOGIES

Methodologies are the processes that are followed and information used to compile the risk register of the Municipality.

The methodologies followed must ensure that the risk assessment of the Municipality, directorate or department is complete and the risks evaluated correctly.

12. ENTERPRISE RISK MANAGEMENT CONTROL

Controls must be in place to ensure the risk management strategy, policy and guidelines of the Municipality are adhered to and management implement the risk responses. (Interdepartmental cooperation and relations)

13. COMBINED ASSURANCE

A combined assurance framework must be developed to optimise and maximise the level of risk, governance and control oversight over the Municipality's risk landscape.

14. BUSINESS CONTINUITY

No risk management strategy will be effective without making provision for business continuity.

A business continuity framework must be in place to guide the development of business continuity plans and governance structures, to prepare the Municipality in the event of extended service outages.

15. MONITORING

Monitoring risk management is a process that assesses the presence and functioning of its components monthly. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the normal course of management activities. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures.

16. REVIEW

The Risk Management Strategy will be reviewed and approved by the Municipal Council on an annual basis.

Review history:

Policy Section	Risk Management Unit
Current update	
Previous review	29 March 2017
Previous review	30 March 2016
Approval by Council	25 November 2009

OVERSTRAND MUNICIPALITY



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1. INTRODUCTION

The Accounting Officer has committed Overstrand Municipality to implementing and maintaining an effective, efficient and transparent system of risk management. The process of risk management is in accordance with the requirements of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA) and guided by the principles as set out in the King III Report on Governance for South Africa and Public Sector Risk Management Framework (PSRMF) issued by National Treasury.

2. OBJECTIVES OF RISK MANAGEMENT

The objectives of risk management are to assist Management in making more informed decisions which:

- provide a level of assurance that current significant risks are effectively managed;
- improve operational performance by assisting and improving decision making and planning;
- promote a more innovative, less risk adverse culture in which the taking of calculated risks in pursuit of opportunities to benefit the Municipality, is encouraged; and
- provide a sound basis for integrated risk management and internal control as components of good corporate governance.

3. BENEFITS OF RISK MANAGEMENT

The risk management process can make major contributions towards helping the Municipality achieve its objectives. The benefits include:

- more sustainable and reliable delivery of services;
- enhance decision making underpinned by appropriate rigor and analysis;
- reduced waste;
- prevention of fraud and corruption;
- fewer surprises and crises;
- help avoid damage to the Municipality's reputation and image;
- help ensure effective reporting and compliance with laws and regulations;
- better value for money through more efficient use of resources; and
- better outputs and outcomes through improved project and programme management.

4. APPLICABLE LEGISLATION

In terms of Section 62 (1) (c) (i) of the Local Government: Municipal Finance Management Act (Act 56 of 2003) (MFMA)

- (1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:

(c) That the municipality has and maintains effective, efficient and transparent systems;

(i) Of financial and risk management and internal control;

The above risk management responsibilities can be delegated to municipal officials in terms of Section 79 (1)(b) of the MFMA.

The above is furthered by MFMA Section 165 regarding internal audit. Section 165 (2) (a) requires internal audit to follow a risk based audit plan and Section 165 (2) (b) (iv) requires internal audit to advise the Accounting Officer and report to the Audit Committee on risk and risk management.

Oversight of the risk management process is conducted by the Audit Committee, in terms of MFMA Section 166 (2) (a) (ii).

5. APPLICABLE FRAMEWORKS

The following frameworks are applicable to the risk management of Overstrand Municipality:

- Committee of Sponsoring Organizations of the Treadway Commission: Enterprise Risk Management – Integrated Framework (COSO ERM Framework)
- Public Sector Risk Management Framework (PSRMF)
- King III Code of Governance Principles
- International Organization for Standardization – Standard 31000 (ISO 31000)

6. MUNICIPALITY'S RISK MANAGEMENT APPROACH

The risk management principles contained in this policy will be applied at both strategic and operational levels within the Municipality.

Our positive approach to risk management means that we will not only look at the risk of activities that could go wrong, but also the impact of not taking opportunities or not capitalising on corporate strengths. All risk management activities will be aligned to the Municipality's aims, objectives and priorities, and aims to protect and enhance the reputation and standing of the Municipality.

The policy should be read in conjunction with the Risk Management Strategy and Risk Management Implementation Plan.

7. ETHICS IN RISK MANAGEMENT

Risk management, even when software is used, is performed by humans.

The effectiveness of risk management activities is directly influenced by the ethical behaviour of the people responsible for risk management, which includes their professionalism and commitment in executing their risk management responsibilities.

A lack of ethics is a contributing factor to a variety of risks, either being the cause of the risk itself or the cause of ineffective control measures.

Therefore, risk management initiatives can only be successful in an environment of ethical behaviour with adequate ethics risk management processes.

8. ROLE PLAYERS IN RISK MANAGEMENT PROCESS

Every person within Overstrand Municipality has a role to play in the risk management process. The primary responsibility for identifying and managing risks lies with Management. The responsibilities of each role player are formally defined in the risk management strategy of Overstrand Municipality.

8.1. Risk Management Oversight

8.1.1. Municipal Council

The Municipal Council takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect Overstrand Municipality against significant risks.

8.1.2. Joint Audit & Performance Audit Committee (JAPAC)

The JAPAC is an independent committee responsible for oversight of the municipality's control, governance and risk management. The JAPAC's primary responsibility is providing an independent and objective view of the effectiveness of the Municipality's risk management process.

8.1.3. Risk Management Committee (RMC)

The members of the RMC is appointed by the Accounting Officer and consists of the Directors, Chief Risk Officer and the Chief Audit Executive (Invitee) and its role is to review the risk management progress and maturity of the Municipality, the effectiveness of risk management activities, the key risks facing the Municipality and the responses to address these key risks.

8.2. Risk Management Implementers

8.2.1. Accounting Officer (Municipal Manager)

The Accounting Officer is ultimately responsible for risk management within the Municipality. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

8.2.2. Directors / Risk Owners

Directors support the Municipality's risk management philosophy, integrating it into operational routines of their directorates and manage and monitor risk within their areas of responsibility.

The Directors are also the risk owners. They are ultimately accountable for the risk management of the risks in their directorates.

8.2.3. Senior Management / Risk Champions

Senior Management has the responsibility to integrate the risk management strategy and policy into their department's operational routines. To do this they must champion risk management in their department, thus they are the Risk Champions.

The Risk Champion's primary responsibilities are to intervene when risk management efforts are being hampered and to provide guidance and support on the management of problematic risks and risks of a transversal nature that require the involvement of multiple people to address.

8.2.4. Middle Management / Senior Officials / Action Owners

Middle management and senior officials have the responsibility to implement the plans to mitigate the risks, known as risk action plans. They are therefore the action owners.

Action Owners implement the responses to the risks identified in the risk assessment.

8.3. Risk Management Unit

8.3.1. Overberg Risk Management Shared Services Centre

The Overberg Risk Management Shared Services Centre (SSC) is a cooperative municipal entity that functions as the risk management unit for Overstrand Municipality and four other municipalities.

The primary responsibility of the SSC is to provide the services of a fully functioning risk management unit to Overstrand Municipality.

8.3.2. Chief Risk Officer

The Chief Risk Officer is the custodian of the risk management strategy and coordinator of risk management activities throughout Overstrand Municipality.

The primary responsibilities of the Chief Risk Officer are to bring to bear his/her specialist expertise to assist Overstrand Municipality to embed risk management and leverage its benefits to enhance performance.

8.3.3. Risk Officer Intern

The Risk Officer Intern's primary responsibilities are to communicate with the risk managers, action owners and risk champions on risk related matters of Overstrand Municipality and use his/her fresh academic knowledge for new ideas and inputs on the risk management of the Municipality.

8.4. Risk Management Assurance Providers

8.4.1. Internal Audit Services

The core role of Internal Audit Services in risk management is to provide an independent, objective assurance to the Accounting Officer, Municipal Council, Risk Management Committee and the Joint Audit & Performance Audit Committee on the effectiveness of risk management. Internal Audit Services also assists in bringing about a systematic, disciplined approach to evaluate and improve the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary. Internal Audit Services must determine whether the risk management process is efficient and effective.

8.4.2. External Auditor / Auditor-General

The Auditor-General provides an independent opinion on the effectiveness of risk management.

In providing an opinion the Auditor-General focuses on:

- Determining whether the risk management strategy, policy and implementation plan are in place and appropriate;
- Assessing the implementation of the risk management strategy, policy and implementation plan;
- Reviewing the risk assessment process to determine if it is sufficiently robust to facilitate timely and accurate risk rating and prioritisation;
- Determining whether management action plans to mitigate the key risks are appropriate and being implemented effectively.

9. RISK MANAGEMENT PROCESS

The risk management process consists of eight (8) components.



Risk Management Process (COSO ERM Integrated Framework)

9.1. Internal Environment

The internal environment encompasses the tone of Overstrand Municipality, influencing the risk consciousness of its people. It is the foundation for all other components of risk management, providing discipline and structure.

9.1.1. Risk Appetite

The term "risk appetite" can be defined as the acceptable level or amount of risk that the municipality is willing to accept, before action is needed to reduce it.

The risk appetite shall be clearly stated and articulated so that it informs management decisions.

The risk appetite for 2017/2018 has been calculated as 40, using the risk appetite framework.

The Municipality's risk appetite will be reassessed on a yearly basis, based on the annual risk assessment exercise results and adjusted if required. The ultimate goal is to reduce the risk level of the Municipality to acceptable levels.

The Municipality has committed itself to aggressively pursue managing risks to be within its risk appetite to avoid exposures to losses and to manage actions that could have a negative impact on the reputation of the municipality.

9.1.2. Risk Tolerance

Risk tolerance refers to the maximum level or amount of risk that the Municipality can bear, before action is needed to reduce it.

All risks above the Municipality's risk tolerance will receive attention from the top management team until it is mitigated to below the risk tolerance level.

9.2. Objective Setting

Objectives are set at the strategic level, establishing a basis for operations, reporting, and compliance objectives. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the Municipality's mission and are consistent with its risk appetite.

9.3. Event Identification

Event identification is the process of identifying potential events affecting Overstrand Municipality's ability to successfully implement strategies and achieve objectives. Internal and external events affecting the achievement of objectives must be identified, distinguishing between risks and opportunities.

9.3.1. Risk Identification

Two processes are followed to identify risks:

1. Structured interviews

Municipal officials are interviewed about the risks they are aware of and the emerging risks they can think of.

2. Benchmarking – Top 10 Risks in the annual IRMSA Risk Report: South Africa Risks

The top 10 risks in the report are used as a guideline. It is then established whether the risks are applicable to Overstrand Municipality.

9.3.2. Risk Description

A short, to the point description of the risk must be articulated. For ease, the cause of risk should be established first and secondly the background information related to the risk. The risk description can then be articulated using the cause and background information.

9.3.3. Cause of Risk

The cause of the risk must be established and included in the risk register.

9.3.4. Risk Background

Information about the risk can be included in the risk register. The background should lead to a better understanding of the risk.

9.4. Risk Assessment

Risk assessments allow the Municipality to consider the extent to which potential events might have an impact on the achievement of objectives. Overstrand Municipality assess events from two perspectives, namely impact and likelihood and normally uses the quantitative method i.e. risk rating scales for both the inherent and residual basis.

9.4.1. Risk Rating Scale / Inherent Risks

A risk's impact and likelihood is separately assessed on a 10X10 scale. The inherent risk rating is calculated by multiplying the impact rating and likelihood rating of the risk. The inherent risk exposure is determined by the inherent risk rating.

IMPACT

Rating	Assessment	Description
1	Negligible	Impact of adverse event has little (if any) impact on business.
2	Insignificant	Impact of adverse event is minimal.
3	Minor	Event will be coped with in short term through normal management processes.
4	Immaterial	No material impact on achievement of the Municipality's strategy and objectives. Irritation in rendering or receiving service.
5	Marginal	Disruption of normal operations with a limited effect on achievement of the Municipality's strategy and objectives.
6	Moderate	Reduced ability to achieve business objectives. Requires executive management intervention. Short/medium term disruption of services.
7	Significant	Significant long-term impact to business. Requires attention of Directors/Department Managers.
8	Major	Critical event resulting in intervention of executive management. Probable long-term cessation of core business activity. Material at organisation level. Requires Audit Committee involvement.
9	Critical	Major financial, operational and/or reputational loss for the Municipality. Issues that should be addressed on Council level.
10	Catastrophic	Critical event resulting in immediate Council intervention. Long-term cessation of core organisational activities.

LIKELIHOOD

Rating	Assessment	Description
1	Rare	0%-10% chance of occurring
2	Improbable	11-20% chance of occurring
3	Remote	21%-30% chance of occurring
4	Occasional	31%-40% chance of occurring
5	Potential	41%-50% chance of occurring
6	Possible	51%-60% chance of occurring
7	Expected	61%-70% chance of occurring
8	Probable	71%-80% chance of occurring
9	Almost Certain	81%-90% chance of occurring
10	Certain	91%-100% chance of occurring

INHERENT RISK EXPOSURE

Inherent Risk Rating	Magnitude	Definition
0 – 39.99	Low	Mostly acceptable - Low level of control intervention required, if any.
40 – 59.99	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.
60 – 100	High	Unacceptable level of risk - High level of control intervention required to achieve an acceptable level of residual risk.

9.4.2. Current Control Effectiveness / Residual Risks

Current controls' effectiveness in mitigating risks is assessed on a 0-1 reduction scale.

The more effective the control, the more it mitigates the inherent risk and the less is the residual risk.

The residual risk rating is calculated by multiplying the inherent risk rating with the control effectiveness rating.

The residual risk exposure is determined by comparing the residual risk rating to the risk appetite of the Municipality.

CURRENT CONTROL EFFECTIVENESS

	Effectiveness	Qualification Criteria	Rating
1	Very effective	Controls are pro-actively managing the risk causes and impacts, mitigating the risk as much as economically possible.	0.2
2	Effective	Controls are managing the risk causes and impacts as planned and result in effective risk mitigation.	0.4
3	Moderately effective	Controls are managing the risk causes and impacts to some extent, but its risk mitigation effect is inadequate.	0.75
4	Ineffective	Controls do not manage the risk causes or impacts adequately, resulting in ineffective risk mitigation.	0.9
5	Inherent controls in place	Common, non-designed controls that exist in the normal course of operations. (e.g. lock outside door at end of work day)	1

RESIDUAL RISK EXPOSURE

Residual Risk Rating	Magnitude	Definition
0 – 20	Low	Acceptable level of residual risk – Requires no or minimal control improvements. Residual risk is below or within the risk appetite level.
20.01 – 39.99	Medium	Unacceptable level of residual risk – Implies that the controls are either inadequate (poor design) or ineffective (poor implementation). Controls require some redesign, or more emphasis on proper implementation.
40 – 100	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. Residual risk is above the risk appetite level.

9.4.3. Risk Categories

1. Litigation	Risks that the Municipality might suffer losses due to litigation and lawsuits against it. Losses from litigation can possibly emanate from: <ul style="list-style-type: none"> - Claims by employees, the public, service providers and other third parties; - Failure by the Municipality to exercise certain level of compliance to legislative requirements. 	Internal
2. Material Resources	Risks relating to the Municipality's material resources. Possible aspects to consider include: <ul style="list-style-type: none"> - Availability of material; - Costs and means of acquiring resources; - The wastage of material resources. 	Internal
3. 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.	Internal
4. Information Technology	Risks related to the Municipality's IT infrastructure, including hardware, software and the processes involved with the use of IT.	Internal
5. Third Party Performance	Risks related to the Municipality's dependence on the performance of a third party. Risk in this regard could be that there is a likelihood that a service provider might not perform according to the service level agreement entered into with the Municipality.	Internal
6. Economic Environment	Risks related to the Municipality's economic environment. Factors to consider include: <ul style="list-style-type: none"> - Inflation - Foreign exchange fluctuations - Interest rates 	External
7. Political Environment	Risks emanating from political factors and decisions that have an impact on the Municipality's mandate and operations. Possible factors to consider include: <ul style="list-style-type: none"> - Political unrest - Local, Provincial and National Elections - Changes in office bearers, etc. 	External /Internal
8. Social Environment	Risks related to the Municipality's social environment. Possible factors to consider include: <ul style="list-style-type: none"> - Unemployment - Migration of workers 	External

9. Natural Environment	Risks relating to the Municipality's natural environment and its impact on normal operations. Consider factors such as: - Depletion of natural resources - Environmental degradation - Spillage - Pollution	External
10. Compliance	Risks related to compliance with legislative requirements such as the Constitution, Municipal Structures Act, Municipal Systems Act, Municipal Finance Management Act, related regulations, Council By-Laws, etc.	Internal
11. Human Resources	Risks that relate to human resources of the Municipality. These risks can have an effect on human capital with regard to: - Ethics - Recruitment - Skills & competence - Employee wellness - Employee relations - Retention - Occupational health & safety	Internal
12. Knowledge and Information Management	Risks relating to the Municipality'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 - Safeguarding	Internal
13. Loss / Theft of Assets	Risks that the Municipality might suffer losses due to either theft or loss of an asset of the Municipality. The risk refers to the general meaning of asset and includes small assets accounted for as expenditure.	Internal
14. Occupational Health and Safety	Risks from occupational health and safety issues e.g. injury on duty; outbreak of disease within the Municipality.	Internal
15. Fraud and Corruption	These risks relate to illegal or improper acts by employees resulting in a loss of the Municipality's assets or resources.	Internal

16. Financial Environment	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 - Increasing operational expenditure.	Internal
17. Reputational Risks	Factors that could result in the tarnishing of the Municipality's reputation, public perception and image.	Internal
18. Technological Environment	Risks emanating from the effects of advancements and changes in technology.	External
19. Cultural Environment	Risks arising from the cultural diversity of the citizens within the Municipality's boundaries, their values and beliefs and their attitude towards authority.	External
20. Interdepartmental and interrelated functions	Risks arising from the interrelatedness and interdependence of the Municipality's directorates / departments on each other to seamlessly perform their functions and meet their objectives. Factors to consider include: - Lack of co-operation - Shifting of responsibilities - Directorate / Departmental decisions negatively impact on another directorate / department. - Inadequate / Unclear communication between directorates - Friction between directorates / departments	Internal

9.5. Risk Response

Having assessed relevant risks, management determines how it will respond to align the risks with the Municipality's risk appetite and risk tolerance. Risk responses fall in one of the following categories:

- **Avoidance** – avoiding the risk, e.g. by choosing a different strategy or terminating the activity that produces the risk;
- **Treatment** – treating the risk, e.g. by implementing or improving the internal control system;

- **Transfer** – transferring the risk to another party more competent to manage it, e.g. contracting out services, establishing strategic partnerships and buying insurance;
- **Acceptance** – accepting the risk where cost and strategy considerations rule out alternative strategies;
- **Exploit** – exploiting the risk factors by implementing strategies to take advantage of the opportunities presented by such risk factors.

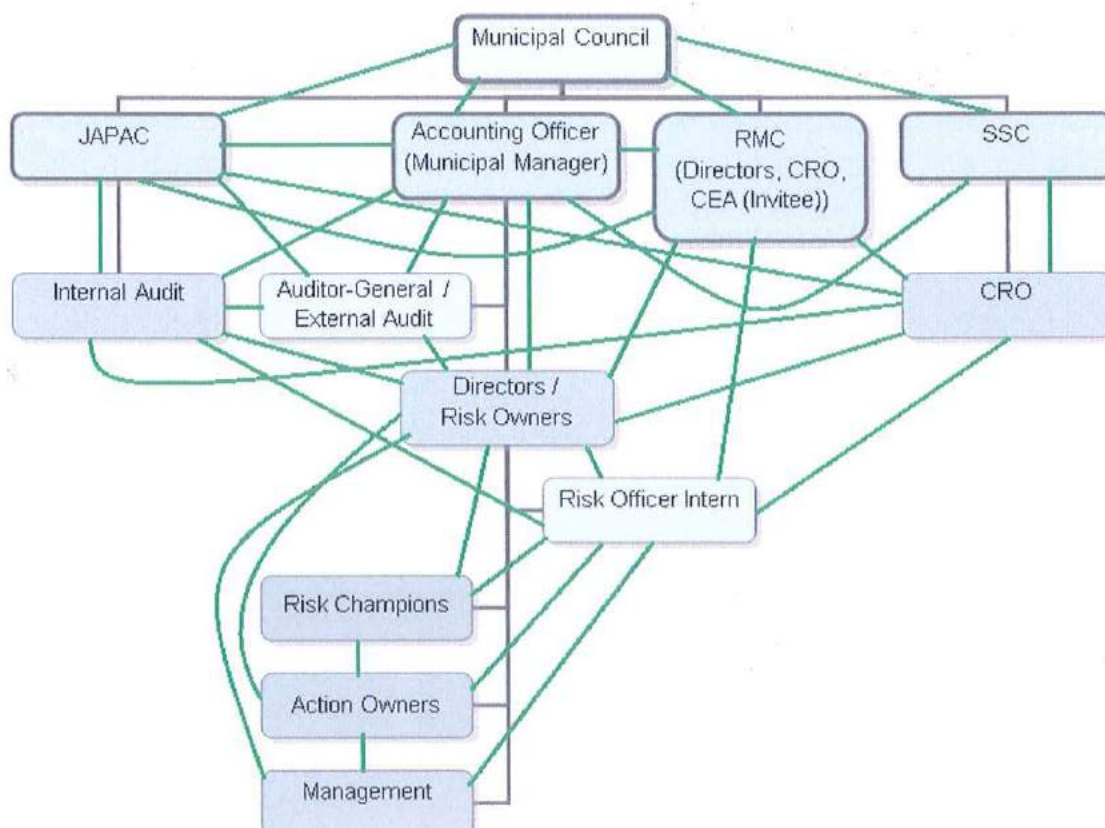
9.6. Control Activities

Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out. Control activities occur throughout the Municipality, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

9.7. Information and Communication

Pertinent information should be identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Information regarding risk management is communicated by email, telephone and in person. Effective communication also occurs, flowing down, across and up in the Municipality.

Flow of information



9.8. Monitoring

The enterprise risk management is monitored and modifications made if necessary. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two.

Monthly monitoring occurs in the normal course of management activities. The Risk Management Unit monitors the enterprise risk management of the Municipality on an ongoing basis.

The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. The Risk Management Unit and Internal Audit Services can perform separate evaluations.

10. RISK PROFILE

All the information regarding the risk or set of risks and the accompanying risk management procedures, constitute the risk profile.

The risk profile of the Municipality is used to measure the maturity of the risk management process.

11. PROJECT RISKS

The following projects are in progress from 2016/2017 and have been included in the risk management processes of the Municipality for the 2017/2018 financial year:

- mSCOA implementation

The risks associated with the implementation of mSCOA must be reviewed monthly to ensure the risk register is up to date and the action plans still relevant as the implementation progress.

12. REPORTING

The reporting requirements regarding risk management have been included in the responsibilities of the following role players. It can be found in these documents:

- District Coordinating Forum Technical (DCFTech) – Service Level Agreement
- Risk Management Committee – Risk Management Committee Terms of Reference: Overstrand Municipality
- Joint Audit and Performance Audit Committee – Joint Audit and Performance Audit Committee Charter: Overstrand Municipality
- Overberg Risk Management Shared Services Centre – Service Level Agreement
- Chief Risk Officer – Service Level Agreement: Overberg Risk Management Shared Services Centre

Other role players not listed above are required to report as instructed by law, the Municipal Council or superiors. They must ensure their reporting is adequate for the risk management process to function properly.

13. RISK UNIVERSE

Many risks are universal, affecting other institutions as well. The universal nature of these risks can enable the Municipality to compare its risk register with the risk registers of other institutions to identify risks that may have been missed in the initial risk assessment and learn more about the mitigation strategies of others, to incorporate it into the risk management of the Municipality.

Overstrand Municipality's risk register is compared with the annual IRMSA Risk Report: South Africa Risks and the risk registers of the other four municipalities that are part of the SSC.

14. INTEGRATION OF RISK MANAGEMENT PLANS/POLICIES

There are many separate plans and policies available that individually deal with fraud, IT, occupational health and safety, disaster management and compliance. These plans and policies contain risk information and risk mitigation plans.

All the different risk information and mitigation plans should be integrated into a single risk register, to provide a detailed and complete profile of the Municipality's risks.

15. COMBINED ASSURANCE

Combined assurance will optimise and maximise the level of risk, governance and control oversight over the Municipality's risk landscape, by integrating, coordinating and aligning the risk management and assurance processes within the Municipality.

A Combined Assurance Model for the top 10 strategic and operational risks will be created and updated quarterly to ensure the Municipality's most significant risks receive adequate assurance.

The combined assurance activities of the Municipality will be conducted in accordance with the Combined Assurance Framework.

16. BUSINESS CONTINUITY

Business continuity is an integral part of risk management.

In the event of extended service outages caused by factors beyond the Municipality's control, the Municipality must be able to restore services to the widest extent possible in a minimum time frame.

A Business Continuity Framework is in place to direct business continuity activities, including impact analysis, plans, governance structures and quality assurance.

17. POLICY REVIEW

The Risk Management Policy will be reviewed and approved by the Municipal Council on an annual basis.

Review history:

Policy Section	Risk Management Unit
Current update	
Previous review	29 March 2017
Previous review	29 April 2015
Previous review	30 April 2014
Previous review	26 June 2013
Approved by Council	25 November 2009

18. GLOSSARY OF TERMS

Event - An incident or occurrence from internal or external sources that affects the achievement of Overstrand Municipality's objectives.

Impact - A result or effect of an event occurring.

Inherent Risk - The risks to Overstrand Municipality in the absence of any actions management might take to alter either the risk's impact or likelihood. In other words the likelihood and impact of the risk if the current controls that are in place are not considered.

Likelihood / Probability - The probability of the event occurring.

Operations - used with "objectives", having to do with the effectiveness and efficiency of the Municipality's activities, including performance and safeguarding resources against loss.

Priority / Key Risks - Risks that are rated high on an inherent level. Risks that need to be acted upon. Risks that poses a serious threat to the achievement of the Municipality's objectives.

Project Risks - Risks that are identified for all major projects, covering the whole lifecycle and for long-term projects. Specific risks associated with the implementation and completion of projects regulated by provincial or national government departments or state agencies.

Residual Risk - The remaining risk exposure after the controls/treatments have been taken into consideration. (The remaining risk after management has put in place measures to control the inherent risk).

Risk - The effect of uncertainty regarding an event, its impact and its likelihood on the objectives of the Municipality.

Risk Owner - The person responsible for the management of a particular risk.

Risk Profile / Register - Also known as the risk register. The risk profile will outline the number of risks, type of risk and potential effects of the risk. This outline will allow the Municipality to anticipate additional costs or disruptions to operations. Also describes the willingness of an organisation to take risks and how those risks will affect the operational strategy of the Municipality.

Risk Response - Plans to manage and mitigate risks, based on the information obtained during the risk assessment.

Stakeholders - Parties that are affected by the Municipality, such as the communities in which the Municipality operates, employees, suppliers etc.

Strategic – used with “objectives”, it has to do with high-level goals that are aligned with and support the Municipality’s mission and vision.

Treatment / Mitigation – Addressing the cause, impact and/or likelihood of the risk based on the information obtained during the risk assessment, to either decrease or increase the risk level to below the risk appetite of the Municipality.