MUSINA
LOCAL MUNICIPALITY

RISK MANAGEMENT STRATEGY

2020/21

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1. INTRODUCTION

The underlying premise of Enterprise Risk Management (ERM) is that every municipality exists to provide value to its stakeholder. All municipalities' face uncertainties and the challenge to management is to determine how much uncertainty to accept as it strives to achieve the goals and objectives. Uncertainty provides both risk and opportunity with the potential to erode or enhance value. Risk management enables management to effectively deal with uncertainties and associated risks and opportunities, enhancing the capacity to build value.

Musina Local Municipality's (MLM) risk management strategy outlines a high level plan on how the municipality will go about implementing the risk management policy. The strategy is informed by the risk management policy and the municipality's risk profile.

The following are the main thrust to the strategy:

- Policy
- Objectives
- Benefits
- Principles
- Roles and responsibilities
- Guidelines

2. DEFENITION

ERM deals with risks and opportunities affecting value creation or preservation and is defined as follows:

- ***"ERM is a process, effected by Council, Management and personnel, applied in strategy setting and across the operations of the municipality, designed to identify potential events that may affect the achievement of set objectives, and to enable the management of risks to be within the municipality's risk appetite, so as to can provide reasonable assurance regarding the achievement of municipality objectives."***

3. BACKGROUND

It is acknowledged that the new style of risk management in the King III Code of Corporate Governance and the Municipal Finance Management Act (MFMA) addresses a much wider spectrum of risks than in the past. In addition, the corporate governance drivers behind risk management today require new ways of reporting and monitoring the municipality's risk exposures.

The Municipal Manager is responsible and accountable for directing and monitoring risk management activities and related performance in a structured framework. All core / support services support the Municipal Manager to maintain an effective system of risk management.

4. RISK MANAGEMENT POLICY STATEMENT

At MLM we are committed to effective risk management and treatment of risks in order to achieve our vision, mission and key objective and to protect our core values. We are committed to a process of risk management that is aligned to the principles of good corporate governance, as supported by the **Municipal Finance Management Act (MFMA), Act no 56 of 2003, Treasury Regulations and King IV Report.**

Risk management is recognised as an integral part of responsible management and the Municipality therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Risk Management Strategy. It is expected that all departments / sections, operations and processes will be subject to the risk management strategy. It is the intention that these departments / sections will work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.

Effective risk management is imperative to Musina Municipality to fulfil its mandate, the service delivery expectations of the public and the performance expectations within the Municipality.

The realization of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardize the direct interests of stakeholders. Sound management of risk will enable us to anticipate and respond to changes in our service delivery environment, as well as to take informed decisions under conditions of uncertainty.

We subscribe to the fundamental principles that all resources will be applied economically to ensure:

- The highest standards of service delivery;
- A management system containing the appropriate elements aimed at minimizing risks and costs in the interest of all stakeholders;
- Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholders expectations; and
- Maintaining an effective risk environment, this promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction. An entity-wide approach to risk management will be adopted by Musina Municipality, which means that every key risk will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into systems and processes, ensuring that our responses to risk remain current and dynamic. All risk management efforts will be focused on supporting the municipal objectives. Equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

The risk policy statement applies throughout the municipality and shall be reviewed annually to reflect the current stance on risk management. **Refer to the MLM Risk Management Policy 2020/21 for detailed information.**

Every employee has a part to play in this important endeavour and we look forward to working with you in achieving these aims.

5. LEGISLATIVE MANADATES

5.1 Section 62 (1) (c) (i) of the MFMA

"The Accounting Officer must ensure that the department has and maintains effective, efficient and transparent systems of financial and risk management and internal control".

5.2 Treasury Regulation 3.2.1

The treasury regulations extend the above mandate by putting emphasis on **risk assessment**, **risk management strategy** and **fraud prevention plan** and can be summarized as follows:

(i) The Accounting Officer must ensure that a risk assessment is conducted regularly to identify emerging risk of the municipality.
(ii) A risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit effort and priority and to determine the skills required of managers and staff to improve controls and to manage these risks.
(iii) The strategy must be clearly communicated to all officials to ensure that the risk management strategy is incorporated into the language and culture of the municipality.

5.3 The King IV Report on Corporate Governance

King IV emphasises that Council should govern risk in a way that supports the municipality in setting and achieving its objectives.

The Council should appreciate that the municipality's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are inseparable elements of the value creation process.

6. OBJECTVES OF ENTERPRISE RISK MANAGEMENT

Risk management is pro-active and systematic, enabling the municipality to achieve its objectives with greater certainty. As a management tool, an integrated risk management framework will assist the municipality in achieving objectives more efficiently. Risk analysis as a management tool also promotes effective and efficient resource utilization.

The objectives of a risk management framework 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 priorities 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.

7. BENEFITS OF ENTERPRISE RISK MANAGEMENT

- Better quality decisions
- Increased efficiency, effectiveness and economy of operations
- Reduced losses

- Improved level of compliance
- Continuity in business
- Strengthening the value of system
- Proactive not re-active response to performance threats (focus on preventative measures)

8. RISK MANAGEMENT PROCESS

In carrying out risk management the municipality adopts the internationally developed and accepted COSO Enterprise Risk Management Framework. This framework provides a structured approach to identifying and managing risk within risk appetite and tolerance levels. The key components of the framework are briefly explained below.

8.1 INTERNAL ENVIRONMENT

The internal environment encompasses the tone of the municipality, and sets the basis for how risk is viewed and addressed by the municipal staff, including risk management philosophy and risk appetite, integrity and ethical values and the environment in which they operate. This may include but not limited to:

- Risk Management Policy
- Code of Conduct
- Code of Ethics
- Corporate Governance Guidelines
- Policy and Procedure
- Documented processes
- Vision and Mission Statements
- Values Statement

8.2 OBJECTIVE SETTING

Objectives must exist before management can identify potential events affecting their achievement. The objectives contained in the IDP and Strategic Plans of the municipality must be mapped to Key Priority Issues (KPI) and Key Performance Areas (KPA), Mission and Vision to ensure that the municipality delivers on its mandate of service delivery. In essence the objective setting process is critical to be done during the development of the IDP of the municipality.

Understanding of the objectives in the Integrated Development Plan (IDP) is the initial step in the ERM process. Without this understanding, risks that could prevent the achievement of objectives would not be identified completely. These objectives should be aligned throughout the municipality to ensure that direction and focus of management at all levels is fully integrated. Objectives need to flow from a strategic level and cascade to the lower level of the organization to ensure maximum outcome in management of risks as reflected below.

- **Strategic:** Corporate objectives that are agreed by the municipality;
- **Operational:** Objectives that are set by the directorate that affect the day to day running of the municipality.

8.3 EVENT IDENTIFICATION

MLM has certain objectives it has set for itself to achieve such as goals and objectives in the IDP document. Risks are obstacles that can prevent or result in opportunities that enhance the achievement of municipal objectives and these risks and/or opportunities could either be internal or external. Therefore, having clearly understood the business objectives at any level of the Municipality it is important to identify the risks that could prevent the achievement of the goals of the IDP or opportunities that could enhance achievement of these goals. The risks and/or opportunities should be identified by relevant management, key official and relevant staff.

A proper outline of a risk should contain the following:

- A description of the risk and the related objective it is likely to affect.
- The allocation of the risk to the relevant risk category (either business unit or key priority area).
- The impact of the risk on the objectives after taking cognizance of the control effectiveness.

Risk identification is not a once off process but a continuous process and should therefore be conducted regularly so as to identify any emerging risks.

8.4 RISK ASSESSMENT

Risks should be assessed on the basis of the likelihood of the risk occurring and the impact of its occurrence on the particular objective(s) it is likely to affect. The risk assessment should be performed through a three stage process:

- Firstly, the inherent risk should be assessed to establish the level of exposure in the absence of deliberate management actions to influence the risk;
- Secondly, a residual risk assessment should be performed to determine the actual remaining level of risk after the mitigating effects of management actions to influence the risk; and
- Thirdly, the residual risk should be benchmarked against the municipality's risk appetite to determine the need for further management intervention, if any.

8.5 RISK RESPONSE

Management has to decide whether to accept the risk, mitigate the risk, transfer (insure or outsource) the risk, exploit the risk or avoid the risk altogether. The actions plans should always be considered with reference to a cost benefit analysis, it must be financially viable or feasible to carry out the action. The risk response should also take cognizance of the impact of control already in place and be developed to ensure that the residual risk is manageable to an acceptable level within the risk appetite of the organization.

Risk response options are not necessarily mutually exclusive or appropriate in all circumstances. They should include the following:

- **Avoiding risk** – not engaging in the activity that creates risk exposure;
- **Mitigating risk** – applying procedures that reduce the risk;
- **Transferring risks** – transferring the risk exposure to other parties;

- **Exploiting risk** – exploiting risks that represents missed opportunity;
- **Accepting risk** – accepting a risk with a low level of exposure;
- **Terminating risk** – stopping the activity that gives rise to a risk higher than the acceptable level; and
- **Integrating some risks** – applying some or all of the risk response to address the risk.

8.6 CONTROL ACTIVITIES

Policies and procedure are established and implanted to help ensure the risk responses are effectively carried out. This may include but not limited to the following:

- Financial Policies and Procedures
- Human Resources Policy and Procedure
  - Recruitment
  - Staff allowances
  - Annual leave
  - Grievance
  - Disciplinary
- Segregation of Duties
- Delegation of Authority & Authorisation Limits
- Reconciliations
- Asset Management

8.7 INFORMATION AND COMMUNICATION

Relevant information is identified, captured and communicated in accordance to time frames that enable people to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across and up the municipality. Information is needed at all levels of an organization to identify, assess, and respond to risks, and to otherwise run the municipality and achieve its objectives.

8.8 MONITORING AND REPORTING

The entirety of ERM is monitored and relevant changes must be made where necessary. Monitoring is accomplished through ongoing management activities, separate evaluations or both. Having identified the response strategy, continuous monitoring need to occur to ensure that the desired response strategy for a risk is implemented successfully.

Monitoring is arguably the most important step of the risk management process as it is a step which, when strictly adhered to, provides early warning of where risks may materialize.

The following techniques should be used in Musina Municipality to assist with monitoring:

- Identification and tracking of risk indicators that can act as an early warning system;
- Internal Audit can be used to provide assurance regarding the adequacy and effectiveness of mitigating controls;
- Progress on risk mitigation should be discussed on regular management meetings;
- Regular risk reporting to the Executive Authority.

9. ROLES AND RESPONSIBILITIES

All employees have a responsibility for managing risks by monitoring good internal control in order to achieve the strategic objectives of the municipality. Collectively, employees in operational units need the appropriate knowledge, skills, information and authority to establish, operate and monitor the system of risk control. This requires a good understanding of the municipality, its objectives, the risks it faces and the people we deal with. Everyone should be aware of the risks they are empowered to take, which ones should be avoided and reported upwards.

The roles and responsibilities are explained in detail in **Annexure A**

10. STRATEGY ADMINISTRATION

This strategy shall be reviewed annually to reflect the current stance on risk management.

The amendments will be sent to the Risk Management Committee for recommendation to the Accounting Officer and to Council for approval.

REVIEW DATE: **MAY 2020**

COMPILED BY:

....

MR. KE RAMUTHIVHELI **DATE**

MANAGER

RISK MANAGEMENT AND SECURITY SERVICES

ENDORSED AND SIGNED FOR & ON BEHALF OF THE COMMITTEE BY:

....

DATE

CHAIRPERSON: RISK MANAGEMENT COMMITTEE

THE ACCOUNTING OFFICER HAS REVIEWED AND APPROVED THIS POLICY:

....

MR. TN TSHIWANAMMBI **DATE**

MUNICIPAL MANAGER

ANNEXURES

ANNEXURE A

A. ROLES AND RESPONSIILITIES

A.1 EXECUTIVE AUTHORITY/ COUNCIL

The Executive Authority should take 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 the Institution against significant risks. As risk management is an important tool to support the achievement of this goal, it is important that the Executive Authority should provide leadership to governance and risk management

The responsibilities of the Executive Authority in risk management should include:

- ensuring that the Institutional strategies are aligned to its government mandate;
- obtaining assurance from management that the Institution's strategic choices were based on rigorous assessment of risk;
- obtaining assurance that key risks inherent in the Institution's strategies were identified and assessed, and are being properly managed;
- assisting the Accounting Officer / Authority to deal with fiscal, intergovernmental, political and other risks beyond their direct control and influence;
- Insisting on the achievement of objectives, effective performance management and value for money.
- Awareness of and concurring with the Institution's risk appetite and tolerance levels;
- Oversight over the Institution's portfolio view of risks and considers it against the Institution's risk tolerance;
- Requiring that management should have an established set of values by which every employee should abide by.

A.2 ACCOUNTING OFFICER (AO)

The AO is the ultimate CRO and sets the right tone of risk management in the municipality. The Accounting Officer must ensure that the responsibility for risk management vests at all levels of management and that it is not only limited to the AO. The AO must also ensure that a risk assessment is conducted regularly to identify emerging risks.

The high level responsibilities of the AO include:

- Setting 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;
- Approving the risk management policy, risk management strategy, risk management implementation plan and fraud risk management policy;
- Approving the municipality's risk appetite and risk tolerance;
- Influencing the municipal "risk aware" culture;
- Approving the code of conduct for the municipality 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 Audit Committee, Internal Audit, 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 Audit Committee, Internal Audit, 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.

A.3 CHIEF RISK OFFICER (CRO)

The CRO is tasked with the overall efficiency of the risk management function. This is inclusive of the embedding of risk management practices and fostering a risk aware culture within the municipality.

The CRO effectively assumes the role of municipality's advocate for risk management and brings specialist expertise to assist in integrating risk management throughout the municipality.

The high level responsibilities of the Chief Risk Officer should include:

- working with Senior Management to develop the municipality's vision for risk management;
- developing, in consultation with management, the municipality's risk management framework incorporating, inter alia, the:

    - risk management policy;
    - risk management strategy;
    - risk management implementation plan;
    - risk identification and assessment methodology;
    - risk appetite and tolerance; and
    - risk classification.

- communicating the municipality's risk management framework to all stakeholders in the municipality and monitoring its implementation;
- facilitating orientation and training for the RMC;
- training all stakeholders in their risk management functions;
- continuously driving risk management to higher levels of maturity;

- assisting management with risk identification, assessment and development of response strategies;
- monitoring the implementation of the response strategies and
- reporting risk intelligence to the AO, management and the RMC.

A.4 RISK MANAGEMENT COMMITTEE

- The RMC will be responsible for addressing the governance requirements of risk management and monitoring the Municipality's performance with risk management. The committee has a defined mandate and terms of reference, which covers the following aspects:
  - Constitution;
  - Membership;
  - Authority;
  - Terms of reference; and
  - Meetings

- The RMC will meet on quarterly basis.
- Functions and responsibilities of the risk management committee include:
  - Establishment and monitoring of the implementation of the risk management strategy;
  - Ensuring that the responsibilities and co-ordination of risk management are clear;
  - Advising Council and Municipal Manager on urgent risk management issues and required initiatives as part of its quarterly reporting process;
  - Overseeing the implementation and maintenance of the ongoing process of risk identification, quantification, analysis and monitoring throughout the Municipality;
  - Ensuring that the risk management induction, training and education programs are targeted appropriately for all levels of personnel and that it is established and implemented;
  - Reviewing and recommending actions for improvement regarding outstanding actions on risk management plans;
  - Evaluating the risk profile of the municipality as well as for major projects and new ventures, requiring the approval of the Council;
  - Reviewing issues for consideration as identified by Council and AC / RMC;
  - Assist with the development of an integrated approach to financing and managing risk to minimize cost;
  - Facilitating the sharing of post loss analysis information and thereby improving prevention and control measures;
  - Reviewing the risk assessments on a quarterly basis to take note of the material risks to which the municipality may be exposed and consider, notes and if necessary, comments on the strategy for managing those risks;
  - Considering, notes and if necessary, comments on management responses to significant risks; and
  - Keeping abreast of all changes to the risk management and control system and ensures that the risk profile and common understanding is updated, as appropriate

A.5 AUDIT COMMITTEE

The Audit Committee is an independent committee responsible for oversight of the municipality's control, governance and risk management. The responsibilities of the Audit Committee with regard to risk management are formally defined in its charter.

The Audit Committee provides an independent and objective view of the municipality's risk management effectiveness.

A.6 INTERNAL AUDIT

- Internal Auditing's role is to provide independent, objective assurance on the effectiveness of the municipal system of risk management. Hence, Internal Auditing should evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

- The internal audit function will use the outputs of risk assessments to compile its strategic three year rolling audit plan, and will evaluate the effectiveness of internal controls.

- The internal audit function will formally review the effectiveness of the municipality's risk management processes.

A.7 MANAGEMENT

Management is accountable to the AO and Council for designing, implementing and monitoring risk management, and integrating it into the day-to-day activities of the institution. As such Management should ensure that it is satisfied with the management of risk and prevent risk management from becoming a series of activities that are detached from the realities of the Municipality's business. Risk management, when integrated into the decision making process, becomes a valuable strategic management tool for underpinning the efficacy of service delivery and value for money. Risk management should be standing agenda item in management meetings.

A.8 RISK CHAMPIONS

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

A key part of the Risk Champion's responsibility should involve intervening in and escalating instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of institutional skills and expertise.

The Risk Champion also adds value to the risk management process by providing guidance and support to manage "problematic" risks and risks of a transversal nature that require a multiple participant approach.

A.9 OTHER PERSONNEL

Other Officials are accountable to their management for implementing and monitoring the process of risk management and integrating it into their day-to-day activities.

ANNEXURE B

B. RATING TABLES

B.1 Impact

The following table is to be used to assist management in quantifying the potential impact that a risk exposure may have on the municipality

Rating	Assessment	Definition
1	Insignificant	Negative outcomes or missed opportunities that are likely to have a negligible impact on the ability to meet objectives
2	Minor	Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives
3	Moderate	Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives
4	Major	Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives
5	Critical	Negative outcomes or missed opportunities that are of critical importance to the achievement of the objectives

B.2 Likelihood

The table below is to be used to assist management in quantifying the probability of a specific risk occurring.

Rating	Assessment	Definition
1	Rare	The risk is conceivable but is only likely to occur in extreme circumstances
2	Unlikely	The risk occurs infrequently and is unlikely to occur within the next 3 years
3	Moderate	There is an above average chance that the risk will occur at least once in the next 3 years
4	Likely	The risk could easily occur, and is likely to occur at least once within the next 12 months

5	Common	The risk is already occurring, or is likely to occur more than once within the next 12 months

B.3 Perceived control effectiveness

This table below is to be used to assist management in quantifying the perceived control effectiveness of the current control.

Rating	Effectiveness category	Category definition
20%	Very good	Risk exposure is effectively controlled and managed
40%	Good	Majority of risk exposure is effectively controlled and managed
65%	Satisfactory	There is room for some improvement
80%	Weak	Some of the risk exposure appears to be controlled, but there are major deficiencies
90%	Unsatisfactory	Control measures are ineffective

B.4 Risk Tolerance

Risk tolerance is based on the municipality's financial strength and its ability to withstand shocks. The risk tolerance of the organization is as follows:

Quantitative Indicator	Qualitative Indicator	Response option
20 – 25	Maximum risk	The risk should be avoided or action should be taken to mitigate the risk to an acceptable level or
16 – 20	High risk	The risk should be exploited and/or mitigated
12 – 16	Medium risk	Action should be taken to reduce risk, and kept on the register for senior management monitoring
8 – 12	Low risk	Acceptable risk but continue to monitor
1 – 7	Minimum risk	No action should be taken or remove from the register

B.5 Inherent Risk Exposure

Inherent risk exposure	Factor
Maximum	**≥ 20**
High	**≥ 15 < 20**
Medium	**≥ 10 < 15**
Low	**≥ 5 < 10**

Minimum	< 5

B.6 Residual Risk Exposure

Residual risk exposure	Factor
Maximum	[3] 10
High	[3] 7.5 < 10
Medium	[3] 5 < 7.5
Low	[3] 2.5 < 5
Minimum	< 2.5

ANNEXURE C

C.RISK CATEGORIES

As the risk environment is so varied and complex it is useful to group potential events into risk categories. By aggregating events horizontally across the municipality and vertically within operational units, allows the development of an understanding of the interrelationship between events to gain enhanced information as a basis for risk assessment.

The main categories to group individual risk exposures are provided below. When using this template the municipality should replace the Risk categories in this worksheet with the Risk categories approved by the municipality:

Risk type	Risk category	Description
Internal	Human Resources	Risks that relate to human resources of a municipality. These risks can have an effect on a municipality's human capital with regard to: • Integrity and honesty; • Recruitment; • Skills and competence; • Employee wellness; • Employee relations; • Retention; and • Occupational health and safety.

	Knowledge and information management	Risks relating to a 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; and • Safeguarding.
	Litigation	Risks that the municipality might suffer losses due to litigation and lawsuits against it. Losses from litigation can possibly emanate from: • Claims by employees, the public, service providers and other third party • Failure by an municipality to exercise certain rights that are to its advantage
	Loss \ theft of assets	Risks that a municipality might suffer losses due to either theft or loss of an asset of the municipality.
	Material resources (procurement risk)	Risks relating to a municipality's material resources. Possible aspects to consider include: • Availability of material; • Costs and means of acquiring \ procuring resources; and • The wastage of material resources
	Service delivery	Every municipality exists to provide value for its stakeholders. The risk will arise if the appropriate quality of service is not delivered to the citizens.
	Information Technology	The risks relating specifically to the municipality's IT objectives, infrastructure requirement, etc. Possible considerations could include the following when identifying applicable risks: • Security concerns; • Technology availability (uptime); • Applicability of IT infrastructure; • Integration / interface of the systems; • Effectiveness of technology; and • Obsolescence of technology.

	Third party performance	Risks related to a municipality's dependence on the performance of a third party. Risk in this regard could be that there is the likelihood that a service provider might not perform according to the service level agreement entered into with a municipality. Non-performance could include: • Outright failure to perform; • Not rendering the required service in time; • Not rendering the correct service; and • Inadequate / poor quality of performance.
	Health & Safety	Risks from occupational health and safety issues e.g. injury on duty; outbreak of disease within the municipality.
	Disaster recovery / business continuity	Risks related to a municipality's preparedness or absence thereto to disasters that could impact the normal functioning of the municipality e.g. natural disasters, act of terrorism etc. This would lead to the disruption of processes and service delivery and could include the possible disruption of operations at the onset of a crisis to the resumption of critical activities. Factors to consider include: • Disaster management procedures; and • Contingency planning.
	Compliance \ Regulatory	Risks related to the compliance requirements that a municipality has to meet. Aspects to consider in this regard are: • Failure to monitor or enforce compliance • Monitoring and enforcement mechanisms; • Consequences of non - compliance; and • Fines and penalties paid.
	Fraud and corruption	These risks relate to illegal or improper acts by employees resulting in a loss of the municipality's assets or resources.
	Financial	Risks encompassing the entire scope of general financial management. Potential factors to consider include: • Cash flow adequacy and management thereof; • Financial losses; • Wasteful expenditure; • Budget allocations; • Financial statement integrity; • Revenue collection; and • Increasing operational expenditure.

	Cultural	Risks relating to a municipality's overall culture and control environment. The various factors related to organisational culture include: • Communication channels and the effectiveness; • Cultural integration; • Entrenchment of ethics and values; • Goal alignment; and • Management style.
	Reputation	Factors that could result in the tarnishing of a municipality's reputation, public perception and image.

External	Economic Environment	Risks related to the municipality's economic environment. Factors to consider include: • Inflation; • Foreign exchange fluctuations; and • Interest rates.
	Political environment	Risks emanating from political factors and decisions that have an impact on the municipality's mandate and operations. Possible factors to consider include: • Political unrest; • Political interference; • Local, Provincial and National elections; and • Changes in office bearers.
	Social environment	Risks related to the municipality's social environment. Possible factors to consider include: • Unemployment; and • Migration of workers.
	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; and • Pollution.
	Technological environment	Risks emanating from the effects of advancements and changes in technology.
	Legislative environment	Risks related to the municipality's legislative environment e.g. changes in legislation, conflicting legislation.

ANNEXURE D

D. RISK MANAGEMENT IMPLEMENTATION PLAN

D.1 Purpose

This document sets out the annual risk management implementation plan for MLM.

D.2 Objective

The risk management implementation plan for the municipality was prepared to give effect to the implementation of the risk management policy and strategy and sets out all risk management activities planned for the 2020/21 fiscal year.

D.3 Approach

The development of the risk management implementation plan has taken into consideration:

- the risk management policy;
- the risk management strategy;
- available resources;
- urgency, quick wins and sustainability.

The detailed risk management implementation plan is included below.

Planned Action	Detailed Action	Due date and responsible official	Outputs / Outcomes
Planning for the new financial year 2020/21			
Develop/ review risk management policy documents: • Enterprise-wide Risk Management Policy • Risk Management Strategy • Risk Management Charter • Anti - Fraud and Corruption Policy • Anti - Fraud and Corruption Strategy • Risk Management Implementation Plan • Whistle Blowing Policy	Risk Management Committee (RMC) to review the policies and recommend to the Accounting Officer for approval by council	Risk Manager 31 May 2020	Approved risk management policy documents.
Facilitate enterprise-wide risk assessments for the new financial year	Information gathering (AGSA Audit Report, Internal Audit reports, SDBIP, IDP) Facilitate risk identification and assessment sessions Analyse information and develop risk assessment reports.	Risk Manager 31 May 2020 (4th Quarter)	Approved strategic risk register 2020/21 with council resolution
Planned Action	**Detailed Action**	**Due date and responsible official**	**Outputs / Outcomes**

In year activities			
Establishment of risk management committee	Formal appointment of Risk Committee Members	Accounting Officer July 2020 (1st Quarter)	Appointment letters
Facilitate operational risk assessments for the new financial year.	Information gathering (SDBIP, Audit reports etc.) Facilitate risk identification and assessment sessions Analyse information and develop risk assessment reports.	Risk Manager and operational managers July 2020	Approved operational risk registers 2020/21 by RMC
Fraud risk assessment	Fraud risk identification and assessment sessions.	Risk Manager and Senior Management June 2020	Approved fraud risk register 2020/21 by RMC
Investigations	Conduct fraud and corruption investigations reported internally, via hotline or through whistle blowing.	Accounting Officer ADHOC	Investigation report submitted to the Accounting Officer and RMC
Planned Action	**Detailed Action**	**Due date and responsible official**	**Outputs / Outcomes**
Risk orientation			
Risk management training for new staff	Agenda, presentation and attendance register	Guided by HR Induction Programme but not later than 30 days after appointment of new employees.	Agenda , attendance register

Training or orientation for risk management implementers (Audit Committee, Risk Committee, Risk Champions etc.)	Progress meetings with risk owners to address challenges experienced in reporting on strategic and operational risks	Risk Manager 1st Quarterly	Attendance registers, agenda and minutes of meetings.
Awareness and communication Campaign	Conduct awareness to all stakeholders: • Awareness on fraud and corruption • Communication and Publication of the Risk Management Strategy on the Musina Municipality website	Risk Manager 01 July 2020	Fraud hotline banners, stickers and posters
Risk Response			
Development of risk response strategies	Drafting action plans for all gaps identified in addressing the top risks.	Risk owners June 2020	Action plans implemented per agreed milestone
Risk Monitoring			
Functional risk management committee	Risk management committee meetings	Risk Manager Quarterly	Agenda, attendance register, minute and quarterly consolidated risk management committee report
Assessing the effectiveness of controls identified to address the strategic and operational risks	Submission of monthly and quarterly progress reports.	Risk Manager Strategic (quarterly) Operational (monthly)	Reports to Municipal Manager and Risk Management Committee.

Ensure risk management processes and methodologies are reviewed independently.	Audit of risk management effectiveness	As per audit plans Internal Audit unit Audit Committee	• Performance audit report • Status reports on risk management implementation. • Internal / External Audits
Reporting on the effectiveness of management of risks in the Annual report	Audit Report	Auditor General 31 December 2020 (2nd Quarter)	AG report