

Risk Assessment Strategy

2023/2024

RISK ASSESMENT STRATEGY 2023/24

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LIST OF ABBREVIATIONS

MFMA	-Municipal Finance Management Act
Sec 62 (1) (c)	-Section 62(1) (c)

1.PURPOSE

Kamiesberg Local Municipality Risk Management Strategy is aimed at outlining a plan on how the Municipality will go about implementing its Risk Management Policy. This strategy is informed by the Risk Management Policy and the department’s risk profile.

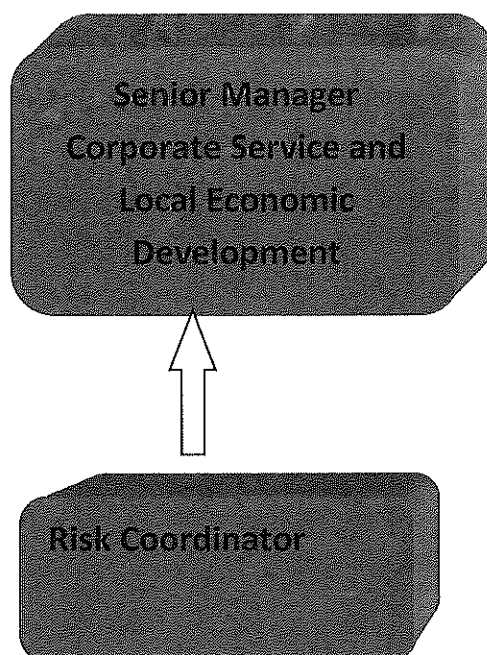
2.OBJECTIVES

The objectives of the Risk Management Strategy are inter alia:

- Create the right awareness and understanding of risk at all levels of the organization.
- Install a culture of risk awareness
- Engage risks and manage them well within the risk tolerance of the Municipality
- Embed risk management into daily activities; this will include the linking of risks, controls, and actions to strategic and operational risks as part of the annual planning process.
- Ensure compliance with the requirements of the Municipal Finance Management Act.

3.STRUCTURAL CONFIGURATION

The Risk Management Function resides the within the sphere of the Corporate Services, the structure is as follows:



4. ACCOUNTABILITY, ROLES, AND RESPONSIBILITIES

The following roles and responsibilities are applicable to relevant stakeholders and must be read with those stipulated in the Municipal Risk Management policy:

4.1 Municipal Manager

The Municipal Manager as the Accounting Officer is required in terms of the Municipal Finance Management Act (MFMA), Sec 62(1) (c) to ensure that the Municipality has and maintains effective, efficient, and transparent systems of financial and risk management and internal control.

The Accounting Officer is ultimately responsible for and should assume ownership of risk management.

4.2 Management

Senior management plays a key role in ensuring that risk management is an ongoing process.

They must ensure that the Municipality:

- Integrates risk management into the planning, monitoring, and reporting processes and the daily management of programs and activities.
- Determines the acceptable risks levels based upon ongoing risk assessments.
- Has a risk management culture where every official is encouraged to practice risk management on daily activities.

4.3 Risk Coordinator

The Risk Coordinator:

- Facilitates and co-ordinates all the Municipal risk management processes.
- Works with other managers in establishing and maintaining effective risk management in their areas of responsibility.
- Has the responsibility for monitoring progress and for assisting other managers in reporting relevant risk information up, down and across Municipality, and is a member of an internal risk management committee.

4.4 Audit Committee

The Municipal Manager will report to the Audit Committee per invitation about effective implementation of risk management activities as well as compliance with the public sector risk management framework and related prescripts.

The Audit Committee's responsibilities include:

- Reviewing and recommending disclosures on matters of risk in the annual financial statements;
- Reviewing and recommending disclosures on matters of risk and risk management in the annual report;
- Monitor the risk mitigation strategies for those areas and activities with extreme to high inherent and residual risk exposures (the top risks) and inform the Council of these areas in instances where they are not managed effectively;
- Providing regular feedback to the Accounting Officer and Council on the adequacy and effectiveness of risk management in the Institution, including recommendations for improvement;
- Ensuring that the internal and external audit plans are aligned to the risk profile of the Institution;
- Satisfying itself that it has appropriately addressed the following areas:
 - Financial reporting risks, including the risk of fraud;
 - Internal financial controls; and
 - IT risks as they relate to financial reporting.
- The Audit Committee should evaluate the effectiveness of Internal Audit in its responsibilities for risk management.

4.5 Internal Auditors

Internal Auditors play an important role in the monitoring of risk management and the quality of performance as part of their regular duties or upon special request of senior management, which is approved by the audit committee.

They may assist both management and executive authority or audit committee by monitoring, examining, evaluating, reporting, and recommending improvements to the adequacy and effectiveness of risk management processes. Internal Audit Assurance activities

The management of risks is a key responsibility of management, as outlined above. However, in accordance with business practice and the Institute of Internal Audit Standards, the internal audit function acting in a consulting role shall assist the organization in identifying, evaluating, and implementing risk management methodologies and controls to address those risks.

Developing assessments and reports on the Municipality's risk management processes is normally a high audit priority. The role of the Internal Audit function must be in line with its mandate as outlined in the approved Internal Audit Charter. The function shall include the following:

- Reviewing and providing assurance that the risks of the organization are systematically identified, evaluated, and appropriately managed.

- Utilizing the results of strategic and operational risk assessments to identify areas of high risk and therefore direct its efforts to monitor and evaluate the adequacy and effectiveness of the risk mitigation responses designed by management.
- Reporting on the effectiveness of the enterprise risk management process and procedures. Based on the internal audit projects' results, Internal Audit shall report on the effectiveness of the system of internal controls.

Internal Audit shall attend all meetings of the Risk Committee where strategic risk management processes are considered and approved.

4.6. Risk Champions

To ensure effective communication and reporting structures risk champions will be representatives of each department, which will be confirmed with formal appointment letters. A key part of the Risk Champion's responsibility should involve intervening in instances where the risk management efforts are being hampered, for example, by the lack of cooperation by Management and other officials and the lack of municipal skills and expertise.

The Risk Champion should not assume the role of the Risk Owner but should assist the Risk Owner to solve problems. The duties of the Risk Champion include:

- Advocating the culture of change and adopting risk management as a professional discipline to be adopted in the everyday management of activities and to strategically influence the current way of doing things which is compliance-driven;
- Educating the stakeholders on the importance of managing risk in dealing with public funds, the responsibility that goes beyond meeting the requirements of financial management prescripts, but most importantly, impacting positively on service delivery;
- Communicating the right message and driving this message to influence behaviour and discipline in getting the basics right. This extends further to ensuring the use of a common risk management language and consistent messages in all communications;
- Informing the users and stakeholders of current demand, the need for improvement, what to improve and how to improve to leave a legacy that goes beyond compliance but continuous improvement of accountability and service delivery;
- Execute responsibilities as set out in the risk management strategy;
- Empowering officials to perform effectively in their risk management responsibilities through proper communication of responsibilities, comprehensive orientation, and ongoing opportunities for skills development;
- Devoting personal attention to overseeing the management of key risks within their area of responsibility;
- Maintaining cooperative relationship with the risk management activity;

- Submit reports to the risk management activity and Risk Management and Fraud Prevention Committee;
- Attend the Risk Management and Fraud Prevention Committee meetings;
- Present submitted reports during the Risk Management and Fraud Prevention Committee meetings;
- Add value to the risk management process by providing guidance/ input and support to manage “problematic” risks; and
- Not assume the role of the Risk Owner, but assist the Risk Owner to resolve problems.

4.6 Other Officials

All other Officials within Municipality are vital for the ongoing risk management processes within the Municipality

They play an important role in the following:

- Identifying and controlling risks appropriate to their positions.
- Report risks to management on a timely basis.
- Communicating risks such as problems in operations, noncompliance with code of conduct, other policy violations or illegal actions.

5. RISK MANAGEMENT PROCESSES

The process of managing risk is a structured approach for incorporating risk management into the daily, broader management process. Risk management is more than an exercise of risk avoidance. It is as much about identifying opportunities as avoiding or mitigating losses.

Risk management is an ongoing process at every level, and consists of eight interrelated components, namely:

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

5.1 Risk Assessment

Risk assessment will be conducted annually. When a need arises, on half yearly basis, re-assessment of existing risks may be done as well as identification of new/emerging risks using

various risk identification methodologies suitable to the Municipality.

5.2 Risk Reporting Standards

The Risk Coordinator, in consultation with management has a responsibility to design a system that will enable identification and reporting of new/emerging risks as well as mitigation of existing risks.

6. RISK TOLERANCE LEVEL

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

Rationale on which Municipality needs to determine the risk tolerance level

Management should have sufficient guidance on the levels of risks that are legitimate for them to take during execution of their duties.

By clearly articulating the risk tolerance level, it will among other things assist Municipality in:

- Showing how different resource allocation strategies can add to or lessen the burden of risk
- Enhancing decision making processes
- Improved understanding of risk-based audits

7.TREATMENT OF RISKS – RISK MITIGATION

7.1Risk treatment options

If the risk is not acceptable, measures must be put in place to mitigate it.

The following risk treatment options (4T's) are available and can be applied depending on the nature/type of risk as well as taking into cognizance the nature of services rendered within the Directorate:

- Treat
- Tolerate
- Terminate
- Transfer

7.2 Risk treatment/ mitigation action plan

The Risk Coordinator, in consultation with management has a responsibility to design a risk mitigation plan that will ensure that material risks to which Municipality is exposed are addressed.

8. ASSURANCE ACTIVITIES

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

- Internal Audit
- Audit Committee
- Corporate Services
- Municipal Information Technology Services
- Office of the Auditor General
- Internal Control

8.1 MONITORING OF THE ACHIEVEMENTS OF THE RISK MANAGEMENT STRATEGY

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

8.1.2 Risk monitoring must not be construed as a problem-solving technique, but rather, a proactive technique to observe the results of risk mitigation. However, this does not mean that it does not provide room for capturing lessons learnt for future risk assessments and allocation efforts.

8.1.3 The Risk Management Committee is responsible for evaluation of risk management processes as well as the risk management strategy to ensure that it produces sustainable outcomes as envisaged.

8.1.4 The objectives are to determine if:

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

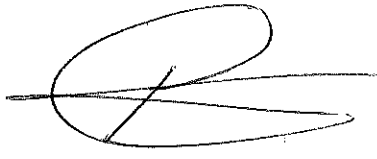
9. RISK REPORTING

- Management will therefore be required to submit regular updates of the risk profiles of their business units.
- The risk management unit must design reports to meet management expectations and monitor the risk mitigation action plans.

10.REVIEW OF THE RISK MANAGEMENT STRATEGY

Kamiesberg Municipality Risk Assessment Strategy is subject to an annual review.

11.APPROVAL

DOCUMENT NAME	SIGNED BY MUNICIPAL MANAGER	COUNCIL ITEM NR	DATE APPROVED BY COUNCIL
RISK ASSESSMENT STRATEGY		ARV 06/07/2023-6	06/07/2023