



THEMBELIHLE

LOCAL MUNICIPALITY
PLAASLIKE MUNISIPALITEIT
U-MASIPALA WASEKUHLENI

RISK MANAGEMENT POLICY

**THEMBELIHLE LOCAL MUNICIPALITY RISK MANAGEMENT POLICY –
Approved by Council on 30 May 2018**

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Risk Management Policy
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INTRODUCTION

Risk Management is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the Thembelihle Local Municipality environment.

Risk is inherent in all academic, administrative and business activities. Every member of the Thembelihle community continuously manages risk. Formal and systematic approaches to managing risk have evolved and they are now regarded as good management practice.

As a consequence Thembelihle acknowledges that the adoption of a strategic and formal to risk management will improve decision-making, enhance outcomes and accountability.

The aim of this policy is not to eliminate risk, rather to manage the risks involved in Thembelihle activities to maximize opportunities and minimize adversity. Effective risk management requires:

- A strategic focus;
- Forward thinking and active approaches to management;
- Balance between the cost of managing risk and the anticipated benefits; and
- Contingency planning in the event that mission critical threats are realized.

Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

SCOPE

This policy is not intended to duplicate existed formal and documents risk management processes. The policy is to apply to Thembelihle departments and section, who do not currently have formal risk management processes in place and who wish to undertake significant activities within the course of their business.

Routine activities are excluded from this policy unless mandated by other policies.

KEY DEFINITIONS

Risk management definitions can be found in the definitions section of the risk management standard. The key definitions for this policy follow:

Risk - The chance of something happening that will have an impact on the achievement of Thembelihle's objectives. Risk is measured in terms of consequences and likelihood.

Risk Assessment - The overall process of risk analysis and evaluation.

Risk Management - The culture processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the Municipality environment.

Risk Management Process - The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

RESPONSIBILITY FOR RISK MANAGEMENT

Accounting Officer

The accounting officer is accountable for ensuring that a risk management system is established, implemented and maintained in accord with this policy. Assignment of responsibilities in relation to risk management is the prerogative of the accounting officer.

Audit Committee

The audit committee will be accountable for the oversight of the processes for the identification and assessment of the general risk spectrum, reviewing the outcome of risk management processes, and for advising the Council as necessary.

Directors

Directors are accountable for strategic risk management within areas under their control including the devolution of the risk management process to operational managers. Collectively the Risk Committee is responsible for:

- The formal identification of strategies risks that impact upon the institution's mission;
- Allocation of priorities;
- The development of strategic risk management plan; and
- Risk Committee will review against risk management plans and will communicate this to the Audit Committee and the institution.

Managers, Section Heads and Research Manager

Managers, Section Heads and Research Manager accountable to the Accounting Officer via their line Directors for:

- Implementation of this policy within their respective areas of responsibility;
- Annual reporting on the status of the risk register, insofar as it impacts on their respective responsibilities, as part of the annual planning and review cycle;
- Ongoing maintenance of the risk register insofar as it impacts on their respective responsibilities; and
- Ensure compliance with risk assessment procedures.

Chief Financial Officer

In addition to the function as a Head of the directorate, this directorate will be accountable for the Institution insurance portfolio and will ensure that a risk management plan is completed for each commercial venture. Advice will be sought, as required, from the Internal Audit Manager on risk management issues in relation to these matters'.

Director Corporate Services

In addition to the function as a head of the directorate, this directorate will remain accountable for the occupational health and safety and workers compensation portfolio, procedures and administration. Advice will be sought, as required, from the Internal Audit Manager on risk management issues in relation to these matters.

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Internal Audit Manager

The internal audit manager will be accountable through the Audit Committee for the implementation of this policy in key areas of the Institution, maintaining a program me for risk reassessment and a Risk Register for the Institution. Key audit areas will flow from the risk management plan develop by the Risk Committee. The internal audit manager will provide advice to the relevant Directors on risk management matters pertaining to the institution “in line with IA, s audit objectives. Audit plans will be driven by risk assessment processes and procedures.”

All Employees

Every staff member of the Thembelihle is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

There is legislation in place for the management of specific risks such as Occupational Health and Safety and, Equal Opportunity and Research Ethics. The Risk Management Policy does not relieve the department’s responsibility to comply with other legislation. Training and facilitation will, in the first instance, assisted through an assessment process, by internal audit. IA will remain independent in this process.

GENERIC SOURCES OF RISK AND THEIR AREAS OF IMPACT

Identifying source of risk and areas of impact provides a framework for risk identification and analysis. A generic list of sources and impacts will focus risk identification activities and contribute to more effective risk management.

Generic Source of Risk

Each generic source has numerous components, any of which can give rise to a risk. Generic sources of risk include:

- Commercial and legal relationships including but not limited to contractual risk, product liability, professional liability and public liability.
- Economic circumstances. These can include such sources as currency fluctuations, interest rate changes,
- Human behaviour such as riots, strikes, sabotages.
- Natural events. These can include fire, water damage, earthquakes, vermin, disease and contamination.
- Political circumstances such as legislative changes or changes in government policy that may influence other sources of risk.
- Technology and technical issues. Examples of this include innovation, obsolescence and reliability.
- Management activity and control such as poor safety management, the absence of control and inadequate security.
- Individual Activity including, misappropriation of funds, fraud, vandalism, illegal entry, information misappropriation and human error.

Areas of Impact

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A source of risk may impact on one area only or several areas. Areas of impact include:

- Asset and resource base including personnel,
- Revenue ,
- Cost both direct and indirect,
- People,
- The community,
- Performance,
- Timing and schedule of activities,
- The environment,
- Intangibles such as reputation, goodwill and the quality of life, and
- Organizational behaviour.

PROCEDURE FOR RISK MANAGEMENT

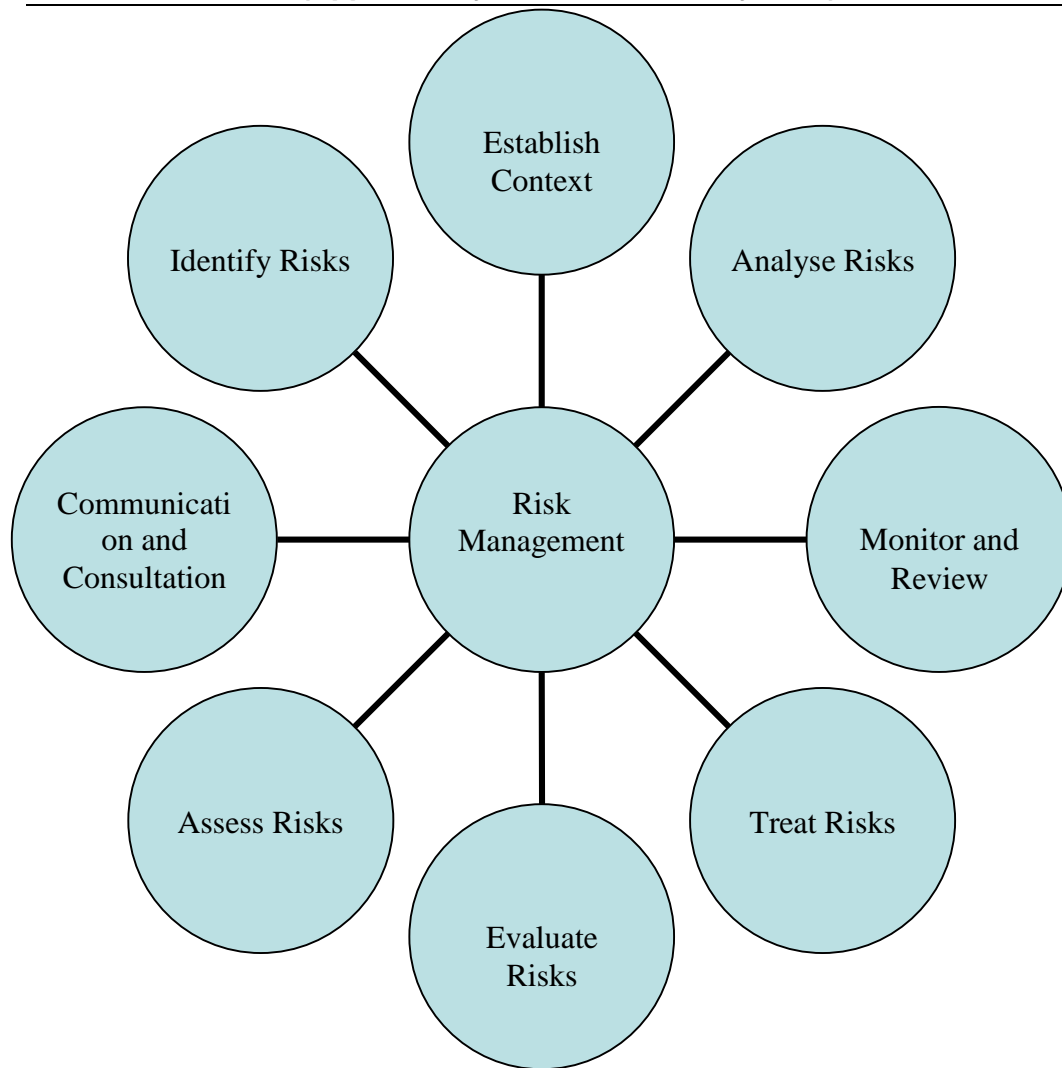
Describing the Procedure

Thembelihle Municipality will maintain procedure to provide with a systematic view of risk faced in the course of our municipality activities. This will require the institution to:

- **Establish a context.** This is the strategic, organizational and risk management context against which of the risk management process in the Thembelihle will take place. Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
- **Identify Risks.** This is the identification of what, why and how events arise as the basis for further analysis.
- **Analyze Risks.** This is determination of existing controls and the analysis of risks in terms of consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequences and like hood are combined to produce an estimated level of risk.
- **Evaluate Risks.** This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritized.
- **Treat Risks.** For higher priority risks, the department is required to develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored.
- **Monitor and Review.** This is the oversight and review management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
- **Communication and Consultation.** Appropriate communication and consultation with internal external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

Schematic Diagram of Procedure

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COMMUNICATION

The policy and related information must be communicated to all municipal employees and residents using the full range of communication methods available (e.g. the intranet, emails, etc.) to the municipality.

IMPLEMENTATION AND MONITORING

The approval of this policy rest with the Thembelihle Local Municipality Council on the recommendations of the Audit Committee.

POLICY REVIEW

This policy shall be reviewed and amended from time to time once circumstances change and as the effect of its application become apparent

VIOLATION AND ENFORCEMENT

The violation of this policy may lead to disciplinary processes taken against the offender.

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RISK IDENTIFICATION TEMPLATE

	AREAS OF IMPACT								
Assets	Revenue	Cost	People	Community	Performance	Timing	Environment	Intangibles	Organisation
Commercial and Legal									
Economic									
Human Behaviour									
Natural Events									
Political									
Technology									
Management Activity and Control									
Individual Activity									

RISK DEFINITION AND CLASSIFICATION

Qualitative data and risk expressions measure likelihood and impact of any identified risks. In some circumstances this may not be possible nor efficient or effective. Therefore a qualitative approach is acceptable.

LIKELIHOOD		
Level	Descriptor	Description
A	Almost Certain	Is expected to occur in most circumstances
B	Likely	Will probably occur in most circumstances
C	Possible	Might occur at some time

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D	Unlikely	Could occur at some time
E	Rare	May occur only in exceptional circumstances

IMPACT		
Level	Descriptor	Example Detail Description
1	Insignificant	Low financial loss, no disruption to capability, no impact on community standing.
2	Minor	Medium financial loss, minor disruption to capability, minor impact on community standing.
3	Moderate	High financial loss, some ongoing disruption to capacity, modest impact on community standing.
4	Major	Major financial loss, ongoing disruption to capability, major impact on community standing.
5	Catastrophic	Mission critical financial loss, permanent disruption to capability, and ruinous impact on community standing.

RISK TREATMENT OPTIONS

Actions to Reduce or Control Likelihood

These can include but are not limited to:

- Review and compliance programme;
- Contract conditions;
- Formal reviews of requirements, specifications, design, engineering and operations;
- Inspection and process controls;

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- Investment and portfolio management;
- Project management;
- Preventative maintenance;
- Quality assurance, management and standards;
- Research and development; technological development;
- Structured training and other programmes;
- Effective governance processes;
- Strategic, operational and tactical planning processes;
- Supervision;
- Testing;
- Organizational arrangement; and
- Technical controls.

Procedure to Reduce or Control Consequence

These can include but are not limited to:

- Contingency planning ;
- Contractual arrangements;
- Contract conditions;
- Design Features;
- Business continuity and disaster recovery plans;
- Engineering and structural barriers;
- Fraud control planning;
- Minimizing exposure to source of risk;
- Portfolio planning;
- Pricing policy and controls;
- Separation or relocation of activities and resource;
- Succession planning;
- Insurance;
- Public relations; and
- Ex Gratia payments.

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RISK MANAGEMENT DOCUMENTATION

To manage risk properly, appropriate documentation is required. The staff members conducting or accountable for the activity shall in the first instance conduct the risk assessment and complete the documentation. The risk assessment and documentation is to be reviewed and accepted by the manager or next in line supervisor of the section conducting or accountable for the activity. Where technical expertise or central authority is required, the risk assessment will also be reviewed and countersigned by that Head.

Departments are required to maintain risk register insofar as risk impact on their respective responsibilities. Information from these register is to be given to the Internal Audit Manager, who will develop and maintain a consolidated wide risk register. As a minimum, the risk register, treatment schedule and action plan will be maintained. Specimen of these documents follow and they be made available in electronic format.

For each risk identified, risks register records:

- Directorate/ sub section;
- Link to objectives;
- Risk event / potential;
- Risk category
- Impact and likelihood;
- Inherent risk
- Risk mitigation / description internal control
- Perceived Control Effectiveness
- Residual Risk
- Risk owner
- Action to improve management of the risk
- Action owner

A risk treatment and action plan documents the managerial controls to be adopted and contains the following information: □

- Who has responsibility for the implementation of the plan;
- What resources are to be used;
- Budget allocation;
- Implementation timetables; and
- Details of the control mechanism; and
- Frequency of review of compliance with the treatment plan.

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RISK REGISTER TEMPLATE

No.	Directorate	Link to Objective	Risk Category	Impact	Likelihood	Inherent Risk	Risk Mitigation	Perceived Control Effectiveness	Residual Risk	Risk Owner	Action to Improve Management of Risk	Action Owner	Comments

RISK TREATMENT SCHEDULE AND PLAN

Date of Review								Compiled By		Date	
Reviewed By			Date		Function/Activity						
The risk in priority order from risk register	Possible treatment options	Preferred options	Risk rating after treatment	Result of cost benefit analysis A: Accept B: Reject	Person responsible for implementation of option	Timetable for implementation	How will this risk and the treatment options be monitored				

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RISK ACTION PLAN

Item	
Reference	
Risk	
Summary – Recommended Response and Plan	
Action Plan	
1. Proposed Actions	
2.	
Responsibilities:	
Monitoring Officer:	

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Information Contact:
Related Policies: