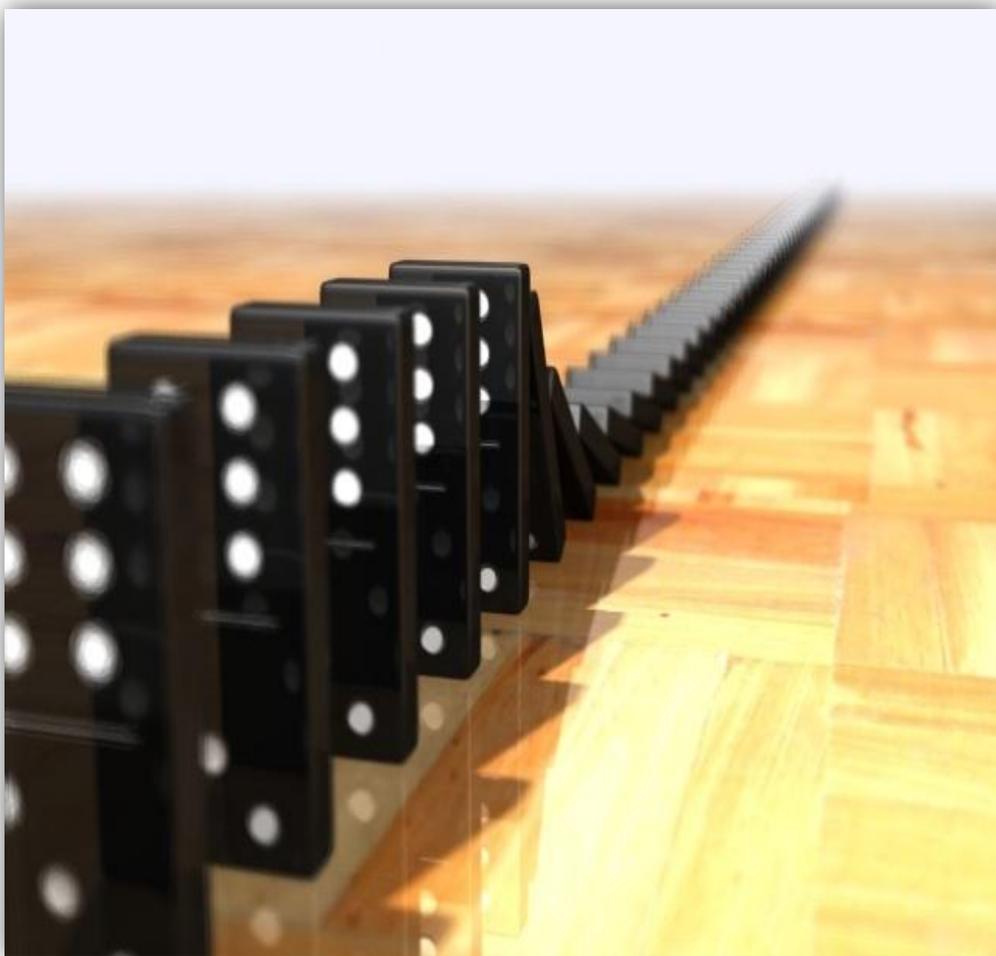


KNYSNA MUNICIPALITY RISK MANAGEMENT STRATEGY



“ There is no achievement in walking on a thin rope if it lays on the ground because there is no risk in it”

Preamble

Risk Management

Risk management is as much about identifying opportunities as avoiding or mitigating losses. It is a logical and systematic process of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process, in a way that enables an organisation to minimise losses and maximise opportunities.

Risk Trends

The drive for local government transformation with limited resources has tended to force municipalities into taking a less conservative approach to service delivery with a proportional increase in their risk exposure.

Ongoing local government reforms have provided a broad administrative framework for further improvements to occur. These include more stringent corporate governance requirements, greater flexibility and a focus on results and accountability.

In this general environment of continual change and limited resources, the management of risk has become a critical issue. Decision-makers thus need to know about possible outcomes and take steps to control their possible impact.

Risk management is already widely recognised as an integral part of good management practice. To improve effectiveness risk management should also become part of a municipality's culture, by being integrated into its philosophy, practices and Integrated Development Plan rather than viewed or practiced as a separate program. Risk should be viewed as a performer rather than an assessment or evaluation tool.

Risk management trends and components already overlap with those of internal auditing, performance management, programme and project management, financial management, change management, customer care, communication, etc. and require incremental inclusion in current and future plans of the entire organisation. When this is achieved, risk management will become the business of everyone in the organisation.

The management of risk by implication is a managerial function, even so individual sections, departments and directorates differ in their exposure and reaction to risks and thus departments, sections and individuals form a vital part of the overall risk management process within the municipality.

Knysna Municipality strives, so far, successfully to be amongst the leaders in local government. In our continuously changing governance environment it is imperative that Council remains updated on key changes and challenges and how these effect the operation of business in today's environment. This will not be achieved without an effective, efficient, soundly funded and managed risk strategy that seeks to maximise its impact on the organisation with minimum resources at its disposal.

National Treasury Public Sector Risk Management Framework affirms that “no organisation has a luxury of functioning in a risk-free environment and public institutions are especially vulnerable to risk associated with fulfilling their mandates”.

King III

King III applies to all entities regardless of the manner and form of incorporation or establishment. The principles, if adhered to, will result in any entity practicing good governance. For that reason, the Code does not address the application of its principles and each entity will have to consider the approach that best suits its size and complexity.

Application of the Code may however be mandated by law or regulation. (PriceWaterhouseCoopers, 2009)

No formal decision has been taken by Council to adopt/implement the principles contained within King III.

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Risk Management Strategy

01 July 2011

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Definitions

Term	Description
Accounting Officer	The municipal manager of a municipality is the accounting officer of the municipality (National Treasury, 2003)
Adjustments Budget	Prescribed in section 28 of the Municipal Finance Management Act. The formal means by which a municipality may revise its annual budget during the year.
Assurance Provider	Assurance providers express an independent opinion on issues such as the management of risk within the municipality which serves to enhance the degree of confidence in the organisation, such as the Auditor General.
Benchmarking	The process of comparing business processes and performance to industry bests and/or best practices from other industries
Budget	The financial plan of the Municipality.
Chief Risk Officer	An employee with the designation of Chief Risk Officer or an employee with the delegated responsibilities of a Chief Risk Officer
Consequence	The outcome of an event expresses qualitatively or quantitatively, being a loss, injury, disadvantage or gain. There may be a range of possible outcomes associated with an event.
Event	An incident or situation that occurs in a particular place during a particular interval of time
Executive Management Team	The Executive Management Team consists of the Section 57 Local Government; Municipal Systems Act No 32 of 2000 managers made up of the Accounting Officer (Municipal Manager), Directors (Corporate, Finance, Planning, Community and Technical) and the Town Electrotechnical Engineer.
Generally Recognised Accounting Practice (GRAP)	The standard for municipal accounting.
Integrated Development Plan	The main strategic planning document of the Municipality.
Knysna 2020	Current long term development plan.
Likelihood	A qualitative description of probability of frequency.
Management	In all business and organisational activities is the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Management comprises planning, organizing, staffing, leading or directing, and controlling an organisation (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources, and natural resources.
The Municipal Finance Management Act – No. 53 of 2003. (MFMA)	The principle piece of legislation relating to municipal financial management.
Medium Term Revenue and Expenditure Framework. (MTREF)	A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.
Operating Expenditure	Spending on the day to day expenses of the Municipality such as salaries and wages.
Predetermined Objectives	Strategic objectives, programs, projects, and performance indicators identified during the Integrated Development Plan /Budget process.
Problem Statement	A clear description of the risk(s), including a risk statement, and method used to address the risk(s).

Term	Description
Quarterly	Period made up of three months July - September, October - December, January - March and April - June.
Rates	Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.
Risk	The chance of something happening that will have an impact upon objectives. It is measured in terms of consequences and likelihood.
Risk Appetite	The amount of residual risk that the Institution is willing to accept. (National Treasury, Undated)
Risk Defined	Is the potential that a chosen action or activity (including the choice of inaction) will lead to a loss (an undesirable outcome). The notion implies that a choice having an influence on the outcome exists (or existed). Potential losses themselves may also be called "risks". Almost any human endeavor carries some risk, but some are much more risky than others.
Risk Management Committee	A Risk Management Committee is defined as a committee appointed by the Accounting Officer / Authority to review the Institution's system of risk management. (National Treasury, Undated)
Risk Register	A Risk Register is a Risk Management tool commonly used in Project Management and organisational risk assessments. It acts as a central repository for all risks identified by the project or organisation and, for each risk, includes information such as risk probability, impact, counter-measures, risk owner and so on. (Wikipedia, 2011)
Risk Tolerance	The amount of risk the institution is capable of bearing (as opposed to the amount of risk it is willing to bear) (National Treasury, Undated)
Risk Treatment	Selection and implementation of appropriate options for dealing with risk.
Service Delivery and Budget Implementation Plan (SDBIP)	A detailed plan comprising quarterly performance targets and monthly budget estimates.
Strategic Objectives	The main priorities of the Municipality as set out in the integrated development plan. Budgeted spending must contribute towards the achievement of the strategic objectives.
Strategy	A word of military origin referring to a plan of action designed to achieve a particular goal is the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations.
Transversal	Running or lying across; Crosscutting
Utilities	In context of the draft, are the categorised four main components of the inferred organisational workflow which are; Integrated Development Programme, Budget, Infrastructure; Systems; Services and Organisational Structure.
Vote	One of the main segments into which a budget is divided, usually at directorate / department level.

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Risk Management Environment

Knysna Municipality Risk Environment

1. Enterprise Risk Management Environment

In order to ensure the inclusion of all the factors impacting on Risk Management within the Municipality it is important to identify the environment within which the municipality operates. As with most municipal disciplines the risk management environment has altered substantially and requires a complete review of current policies, practices and assumptions.

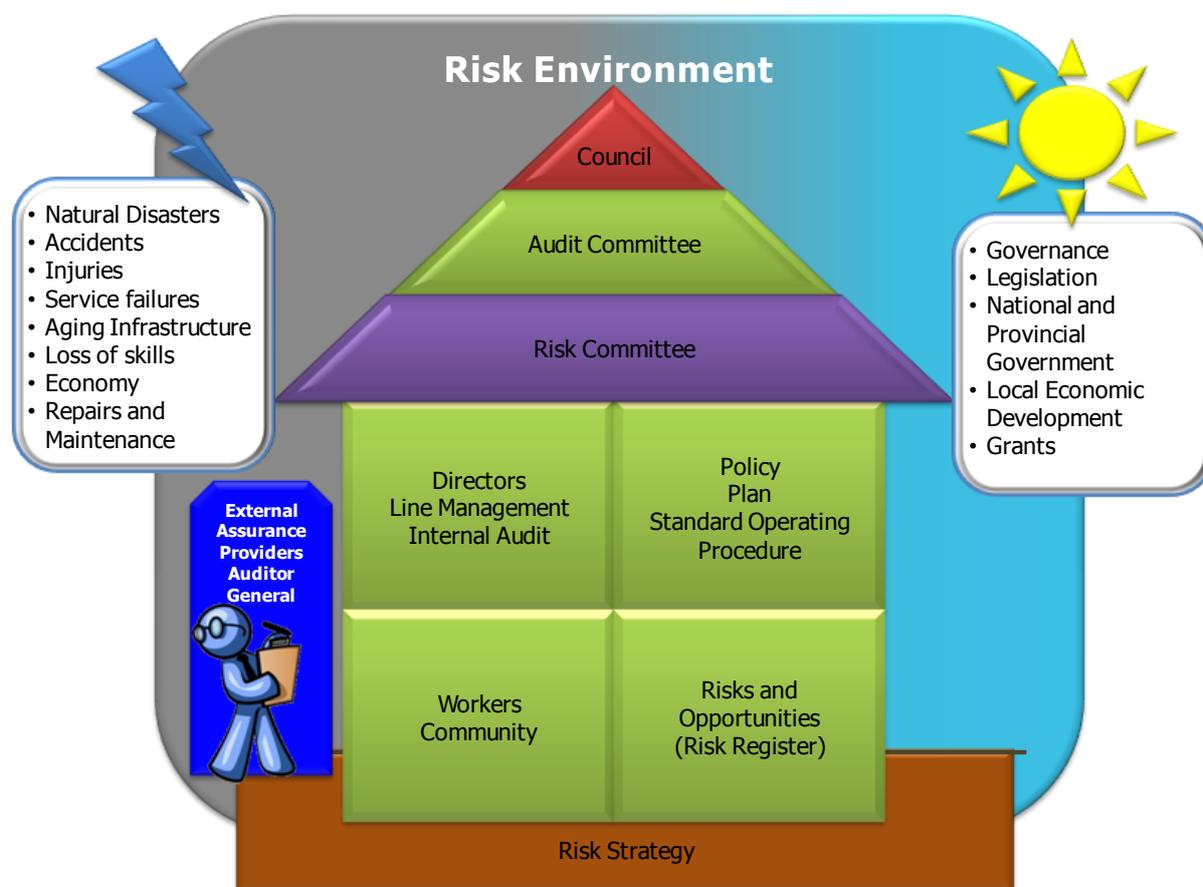


Figure 1: Risk Environment

Factors within the municipal environment that impact directly on how the municipality will address risk management are;

- Legislation and guidelines
- Unfunded mandates
- The whole community including residents, businesses, farmers, government, visitors, ward committees, staff, etc.
- National Government, Western Cape Provincial Government and Eden District Municipality

- Garden Route National Park (Tsitsikamma, Knysna, Wilderness) South African National Parks
- Third party services providers such as Eskom
- The local, national and international economy
- Natural disasters and natural assets (gifts)
- Assets (infrastructure, land, buildings, etc)
- Affordability (budget)
- Skill levels (internal and external)
- Systems (enterprise risk management architecture such as Information Technology, fleet management, debt collection, Procurement, etc)
- King (I,II,II)

Natural Assets

Examples: Beaches that require lifeguards during holiday seasons to reduce the risk of drowning, and stormwater entering into and polluting the lagoon.

Some of these factors are compulsory, others meet good governance or best practice principles and some are inherent to Knysna Municipality. Although municipalities are of a similar nature and are responsible to deliver the same basic services they vary due to unique geographical, social and political nuances and cannot be addressed in the same manner across the whole of South Africa.

2. Enterprise Risk Management Architecture

Any successful implementation of Enterprise Risk Management is dependent on a structure that considers various interrelated and inter-dependent components. The National Treasury Public Sector Framework (National Treasury, 2010) adopts the following architecture, consisting of:

- Process framework;
- Drivers;
- Enablers;
- Implementors;
- Support;
- Tools and technology;
- Assurance providers;
- Oversight framework.

Differences to National Treasury Model

To bring it in line with Knysna Municipality's current practice and structure, the Enterprise Risk Management Architecture has been amended slightly from the National Treasury model by:

removing Provincial Public Entity from "Drivers";

adding Performance, Internal Audit and Risk Management under "Implementors"; and

adding Auditor General under "Oversight Framework"

The enterprise risk management architecture is depicted graphically below:

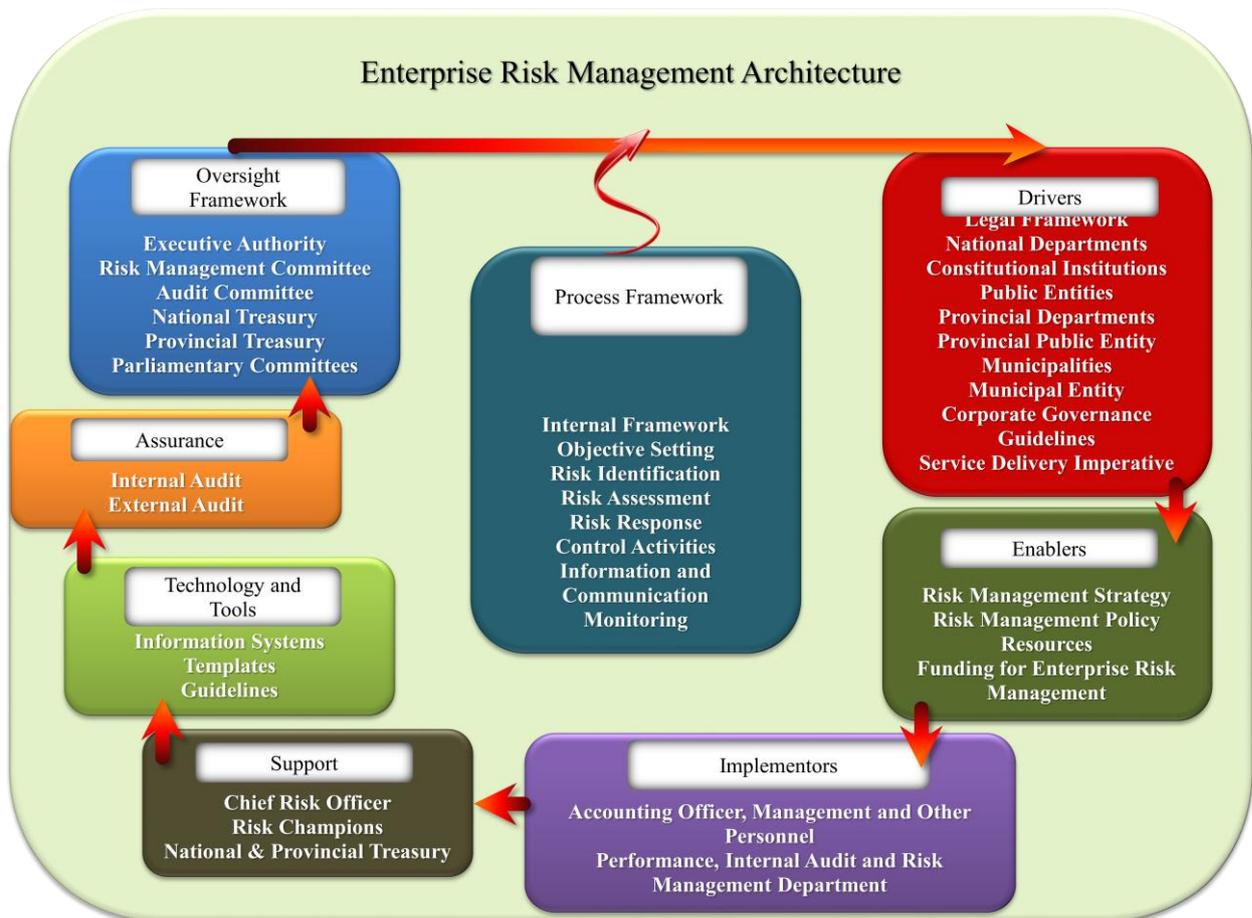


Figure 2: Enterprise Risk Management Architecture

3. Legislative Environment

The Municipal Finance Management Act 2003 (Act no. 56 of 2003) defines the municipal manager as the accounting officer of the municipality. Section 62 of the Municipal Finance Management Act requires the accounting officer to take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and of internal audit as well as the effective, efficient and economical use of the resources of the municipality. The purpose of the risk management policy is to enable the municipality to comply with the requirements as set out in the legislation.

General financial management functions

62. (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;

Legislation 1: MFMA Section 62 - General financial management functions

The Constitution confers the following areas of responsibility on local municipalities:

152. Objects of local government

The objects of local government are -

- a) to provide democratic and accountable government for local communities;
- b) to ensure the provision of services to communities in a sustainable manner;
- c) to promote social and economic development;
- d) to promote a safe and healthy environment; and
- e) to encourage the involvement of communities and community organisations in the matters of local government.

Legislation 2: Constitution Section 152 - Objects of local government

156. Powers and functions of municipalities.

1. A municipality has executive authority in respect of, and has the right to administer.

- a. the local government matters listed in Part B of Schedule 4 and Part B of Schedule 5; and
- b. any other matter assigned to it by national or provincial legislation.

Legislation 3: Constitution Section 156 - Powers and functions of municipalities

Knysna Municipality's current structure deals with part B of Schedule 4 and 5 as set out in the table below.¹

Function	Schedule	Municipal Department	Dept Code	Directorate	Outsourced / Alternative
Air pollution	4	Safety Law Enforcement	57	Community	
Building regulations	4	Town Planning and Building Control	82	Planning and Development	
Child care facilities	4	N/A	N/A	N/A	
Electricity reticulation	4	Electricity Administration Electricity Distribution	77 76	Electrical	Eskom (Rheenendal and Rural Areas)
Gas reticulation	4	N/A	N/A	N/A	N/A
Firefighting services	4	Safety Fire Brigade Services	56	Community	
Local tourism	4	Director: Corporate	33	Corporate	Knysna Tourism
Municipal airports	4	N/A	N/A	N/A	N/A
Municipal planning	4	Planning and Development Town Planning	85	Planning and Development	
Municipal health services	4	Public Toilets	47	Community	Eden District Council
Municipal public transport	4	Roads, Storm Water, Drainage: Main Roads	86	Technical	

¹ Knysna Annual Report 2010/2011

Function	Schedule	Municipal Department	Dept Code	Directorate	Outsourced / Alternative
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	4	Roads, Storm Water, Drainage: Main Roads	86	Technical	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	4	Public Works (Only on Public Land)	87,88	Technical	Knysna Parks Board
Stormwater management systems in built-up areas	4	Roads, Storm Water, Drainage: Stormwater	87	Technical	
Trading regulations	4	Director: Planning and Development (Local Economic Development)	78	Planning and Development	
Water and sanitation services limited to potable water supply systems and domestic wastewater and sewage disposal systems	4	Sewerage Purification Services	89	Technical	
		Sewerage Reticulation Services	90	Technical	
		Sewerage Sanitation Services	91	Community	
		Water Purification Works	92	Technical	
		Water Reticulation	93	Technical	
Beaches and amusement facilities	5	Director: Community	33	Community	
Billboards and the display of advertisements in public places	5	Director: Planning and Development (Local Economic Development)	78	Planning and Development	
Cemeteries, funeral parlours and crematoria	5	Cemetery	39	Community	
Cleansing	5	Street Cleaning	79	Community	
Control of public nuisances	5	Safety Law Enforcement	57	Community	
Control of undertakings that sell liquor to the public	5	N/A	N/A	N/A	Eden District Council
Facilities for the accommodation, care and burial of animals	5	N/A	N/A	N/A	Knysna Animal Welfare
Fencing and fences	5	Public Works	87,88	Technical	
Licensing of dogs	5	N/A	N/A	N/A	
Licensing and control of undertakings that sell food to the public	5	N/A	N/A	N/A	Eden District Council
Local amenities	5	Civic Buildings	40	Community	
		Swimming Pool	61	Community	
		Halls / Facilities	41	Community	
Local sport facilities	5	Sport Fields	60	Community	
Markets	5	Director: Planning and Development (Local Economic Development)	78	Planning and Development	
Municipal abattoirs	5	Safety Law Enforcement	57	Community	
Municipal parks and recreation	5	Parks and Recreation	53	Community	
Municipal roads	5	Roads, Storm Water, Drainage: Streets	88	Technical	
Noise pollution	5	Safety Law Enforcement	57	Community	
Pounds	5	Safety Law Enforcement	57	Community	
Public places	5	Parks and Recreation	53	Community	
Refuse removal, refuse dumps and solid waste disposal	5	Cleansing Refuse Removal Service.	72	Community	
		Transfer Station	73	Community	

Function	Schedule	Municipal Department	Dept Code	Directorate	Outsourced / Alternative
Street trading	5	Director: Planning and Development (Local Economic Development)	78	Planning and Development	
Street lighting	5	Street Lighting	75	Electrical	
Traffic and parking	5	Safety Traffic Department	59	Community	

Table 1: Constitutional Functions

These functions do not operate in isolation and are supported and supplemented by additional departments which, although not mentioned in legislation, act as support functions to aid in the delivery of services and facilities to the community.

Municipal Department	Dept Code	Directorate	Outsourced / Alternative
Council General Expenses	31	Executive and Council	
Municipal Manager	32	Executive and Council	
Organisational Performance	98	Executive and Council	
Public Relations	31	Executive and Council	External Service Provider
Director: Corporate	33	Corporate	
Property and Records Management	34	Corporate	
Human Resources	35	Corporate	
Legal Services	36	Corporate	
Committee Services	37	Corporate	
Public Participation	42	Corporate	
Estates	74	Corporate	
Administration	95	Corporate	
Director: Community	52	Community	
Director: Finance	62	Finance	
Assessment Rates	63	Finance	
Expenditure: Payroll	64	Finance	
Meter Reading	65	Finance	
Information Technology	66	Finance	
Income	67	Finance	
Expenditure: Stores	68	Finance	
Expenditure	69	Finance	
Budget Office	70	Finance	
Expenditure: Procurement	97	Finance	
Director: Planning and Development	78	Planning and Development	
Environmental Management	83	Planning and Development	
Workshop and Depot	94	Electrical	
Director: Technical Services	80	Technical	

Table 2: Support Functions

Unfunded Mandates

An unfunded (or underfunded) mandate is when a sphere of government performs certain functions or activities for which it has no (or inadequate) funds. Municipalities carry out functions that are not included in the powers and functions allocated to them by the Constitution or legislation, while policy decisions made at a national level result in provinces facing underfunded or unfunded mandates.

The reasons for such situations include:

- Historical roles assumed in the past (for example by certain municipalities), which have continued into the new constitutional era.

- Weak, incomplete or confused allocation of functions, the result of poor policy-making and oversight.
- Implicit or explicit choice by a sphere of government to perform a function.

Unfunded and underfunded mandates have implications for the equitable sharing of nationally collected revenue and the delivery of services. (Financial And Fiscal Commission, 2011)

Municipal Department	Dept Code	Directorate
Housing	48,49,50	Planning and Development
Libraries	51	Community
Museums	81	Community
Vehicle and Drivers Licensing	58	Community

Table 3: Non-constitutional Functions (Unfunded Mandate)

4. Physical Environment

Knysna Municipality functions within a physical environment which covers a total surface area of 1 059 km². It stretches from Swartvlei in Sedgefield on the West to Harkerville in the East. The municipal area is bordered by the Outeniqua Mountains in the North and the Indian Ocean in the South. Knysna town is situated along the northern shores of the Knysna Lagoon (Knysna Municipality, 2010/2011).

During the past decade Knysna and the Southern Cape have experienced an increase in weather related disasters ranging from floods to one of the worst droughts in recorded history. Additional environmental risks that have been or are being faced include;

- Fires both in residential and rural areas
- Contamination of the lagoon
- Contamination of water sources
- Health (AIDS/HIV)
- Climate change
- Alien vegetation
- Air pollution
- Chemical spills (N2), etc.

5. Internal and External Organisational Environment

Knysna Municipality does not operate in a vacuum and affects and in turn is affected by decisions made by itself and a multitude of external organisations such as;

- Council
- South African National Parks (Garden Route National Park)
- Eden District Municipality and municipalities within the Eden district
- National Treasury (legislation, regulations and guidelines)
- Eskom (tariff increases)
- DWAF (green and blue drop)

- Western Cape Provincial Government (oversight)
- Rate Payer Associations
- Knysna Tourism
- The media
- FIFA (World Cup 2010)
- Ward Committees
- Auditor General, Internal Audit and the Audit Committee, etc.

6. Uncertainty of the Future

It is becoming increasingly difficult for the management of a municipality to accurately predict the future, to anticipate future threats and weaknesses and the negative impact these can have on the municipality and all of its stakeholders.

It has become necessary to adopt a firm position on how the uncertainty of the future and the adverse implication that it may hold can be managed in the most effective, efficient and proactive way possible and to protect the Municipality and its stakeholders against any possible future adverse and unforeseen occurrence.

Prevention, minimisation, and avoidance are often simpler, less painful, less costly and more successful than cure.



Risk Management Strategy

Risk Management Strategy

1. Introduction

The management of risk is an essential part of corporate governance within the municipality. The Risk Management System utilised as an instrument to assist in strategic and operational planning, has many potential benefits in identifying opportunities and risks to the municipality achieving its strategic objectives as determined in the integrated development plan.

An effective Risk Management System will safeguard Councils interests and ensure the best use of limited municipal resources. By implementing and regularly reviewing the municipal Risk Management Strategy Council will not only achieve compliance with legislative requirements but also add value to its oversight and managerial processes.

Public Sector Risk Management Framework

The risk management strategy guides the institution on how to implement its risk management policy.

The risk management strategy should not dwell too much on conceptual models and risk management theory. This is often a mistake that results in difficulties in the actual implementation of the strategy. Quite simply, the strategy should articulate a high level plan of action to improve the institutions risk profile. (National Treasury, 2010)

2. Objectives of the Risk Management Strategy

- To address risk management for the whole municipality and to give effect to the implementation of the Risk Management Strategy, Risk Policy, establishment of the Risk Management Committee, Risk Management Implementation Plan and Risk Management Systems.
- To inform and assist the executive and personnel on their roles and responsibility and to ensure that the risks relating to their particular area of control are managed to ensure that the best outcome is achieved. (AusAID, 2006)

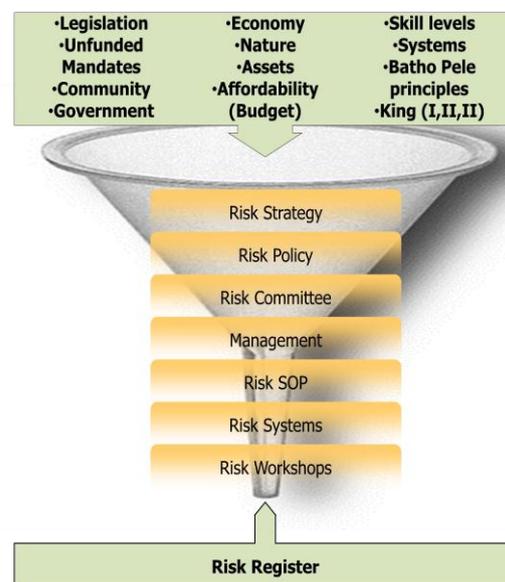


Figure 3: Risk Management Strategy Objective

The Risk Management Strategy is required to inform the Risk Management Standard Operating Procedure (RMSOP).

3. Why Risk Management?

Compliance and Corporate Governance

The Municipal Finance Management Act requires compliance in respect of risk management and this policy's objective is to enable and secure compliance. King III requires the governance of risk through a formal risk management processes.

To set the principles, deliverables and processes through which risk management needs to be performed at least at a compliance level.

Improved Management of the Future

In all management planning and performance management activities provision needs to be made for the unpredictability of the future, for obstacles that need to be overcome and possible adverse impacts it can have on the municipality and its beneficiaries. The aim of the strategy is to guide management in the identification of risk and in the development of suitable responses to such risks.

Clarify, Empower and Enable

All levels of management have a responsibility to ensure that the unpredictability of the future is reduced and the municipality and its beneficiaries are protected against such unpredictability.

The aim of the strategy is to empower such levels of management, to enable it in accordance with its responsibility and to clarify the powers and functions of all levels of management.

Set Risk Management Standards

The strategy sets the standard at which the Council intends and expects risk to be managed and accordingly ensures that such a required standard is known and set for the organisation.

It is also important to monitor whether the risk management strategy is producing the desired outcomes.

4. Outline

Organisational Structure

This section of the strategy determines how the municipal structure will be utilised and amended in terms of roles and responsibilities of the various structures to give effect to the Risk Management Strategy.

Accountability, Roles and Responsibilities

This section determines the authority and delegation of responsibilities to give effect to the Risk Management Strategy.

Risk Management Activities

This section includes the risk assessment processes and methodologies, monitoring activities and risk reporting standards to give effect to the Risk Management Strategy.

Monitoring Implementation of the Risk Management Strategy

This element includes assessment of whether or not key milestones are achieved. More importantly it is also monitoring whether the risk management strategy is producing the sustainable outcomes as originally envisaged.

Assurance Activities

This section is to consider all assurance providers available to the municipality and to determine their scope of responsibility.

5. Organisational Structure

The Municipality will implement the following structure to give effect to its Risk Management processes.



Figure 4: Risk Management Drivers

Executive Structure

Council is the primary accountable body within the municipality with regards to risk.

Oversight in respect of all risk related issues will be performed by the Chair of the Finance, Economic Development and Governance Committee.

Accounting Structure

As per the Municipal Finance Management Act, the Accounting Officer will be the Municipal Manager.

Risk Management Committee Structure

The Risk Management Committee will consist of the Municipal Manager, Directors, the Chief Risk Officer and the Manager: Performance, Internal Audit and Risk Management.

Chief Risk Officer

The Chief Risk Officer will be appointed by the Accounting Officer, be it an employee with the designation of Chief Risk Officer or an employee with the delegated responsibilities of a Chief Risk Officer.

Risk Champions

The principle of Risk Champions as promoted by National Treasury is to be implemented throughout the municipality. A minimum of at least one manager from each directorate will be designated as a Risk Champion.

Risk Champions

A Risk Champion is usually an existing member of the senior management corps within the institution. Risk Champions support the risk management process in specific allocated areas or functions.

A Risk Champion has sufficient authority to drive ERM as required by the institutions risk management policy and strategy. A key part of the Risk Champions responsibility involves escalating instances where the risk management efforts are stifled, such as when individuals try to block ERM initiatives.

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. (National Treasury, 2010)

Management

Management will be all other managers, departmental managers, process owners and section managers.

Employees

All employees within the Municipality have a role to play with regards to Risk Management.

Administrative Support

Administrative support with regards to risk management will be provided by the Performance, Internal Audit and Risk Management department.

Audit Committee

The Audit Committee will act in terms of section 166 of the Municipal Finance Management Act in an advisory capacity.

Audit committees

166. (1) Each municipality and each municipal entity must have an audit committee, subject to subsection (6).
- (2) An audit committee is an independent advisory body which must—
- (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to—
 - (ii) risk management;

Legislation 4: MFMA Section 166 - Audit Committees

Internal Audit

The Internal Audit service will be provided by the Municipality's Internal Audit Unit currently provided by an external service provider.

Internal audit unit

165. (1) Each municipality and each municipal entity must have an internal audit unit, subject to subsection (3).
- (2) The internal audit unit of a municipality or municipal entity must—
- (a) prepare a risk-based audit plan and an internal audit program for each financial year;
 - (b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to—
 - (i) internal audit;
 - (ii) internal controls;
 - (iii) accounting procedures and practices;
 - (iv) risk and risk management;
 - (v) performance management;
 - (vi) loss control; and

Legislation 5: MFMA Section 165 - Internal audit unit

6. Accountability, Roles and Responsibilities

Executive Authority

The Executive Authority as represented by the Mayor is accountable to Council in terms of the achievement of the goals and objectives of the Municipality and those advocated nationally. As risk management is an important tool to support the achievement of this goal, it is important that the Executive Authority 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.

Accounting Authority

The Accounting Officer is accountable to the Council in terms of the achievement of the goals and objectives of the institution. In this context the Accounting Officer should take an interest in enterprise 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.

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 Accounting Authority. The Accounting Authority must also ensure that risk processes are regularly reviewed.

Risk Management Committee

The Risk Management Committee is responsible for oversight of the quality, integrity and reliability of the municipality's risk management processes and responses to risk. An

important part of the Committees mandate is to provide recommendations to the Accounting Officer to continuously improve the management of specific risks as well as the overall process of risk management.

Chief Risk Officer

The Chief Risk Officer is to provide expertise in providing a support service to ensure systematic, uniform and effective enterprise risk management. The Chief Risk Officer is to serve as a communication link between operational level management, senior management, the Risk Management Committee and other relevant committees. The Chief Risk Officer is to be the custodian of the enterprise risk management framework, the coordinator of risk management throughout the institution and the institutional advisor on all risk management matters.

Risk Champions

The Risk Champions will be at least one designated manager from each of the directorates of the municipality.

Risk Champions are to act as change agents in the enterprise risk management process and should be individuals with the skills, knowledge and leadership required to champion the risk management cause.

A key part of the Risk Champion's responsibility will involve escalating instances where the risk management efforts are stifled, such as when individuals try to block enterprise risk management initiatives.

Management

Management is accountable to the Accounting Officer for designing, implementing and monitoring risk management, and integrating it into the day-to-day activities of the institution. 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.

Employees

Employees are accountable to their Management structures for implementing and monitoring the process of risk management and to integrate it into their day-to-day operational activities.

Senior Managers and Other Officials of Municipalities

78. (1) Each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure—
- (a) that the system of financial management and internal control established for the

- municipality is carried out diligently;
- (b) that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently;
 - (c) that any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented;
 - (d) that all revenue due to the municipality is collected;
 - (e) that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;
 - (f) that all information required by the accounting officer for compliance with the provisions of this Act is timeously submitted to the accounting officer; and
 - (g) that the provisions of this Act, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with.
- (2) A senior manager or such official must perform the functions referred to in subsection (1) subject to the directions of the accounting officer of the municipality.

Legislation 6: MFMA Section 78 - Senior Managers and Other Official of Municipalities

Administrative Support

The Performance, Internal Audit and Risk Management department is responsible for the regular review and updating of all risk processes with the municipality such as risk workshops, the Risk Register, Risk Management Committee meetings, Information Technology risk systems, etc.

Internal Audit

Internal Audit is responsible for reviewing the risk philosophy of the institution including the Risk Management Strategy, Risk Management Policy, Risk Management Implementation Plan, fraud prevention plan and the risk management reporting structure.

In addition Internal Audit is the primary assurance provider regarding the design and functioning of the risk control environment and provides assurance over the institution's risk identification and assessment processes.

Audit Committee

The Audit Committee is responsible for providing the Accounting Officer with independent counsel, advice and direction in respect of risk management. The stakeholders rely on the Audit Committee for an independent and objective view of the institution's risks and effectiveness of the risk management processes.

7. Risk Policy

The Risk Management Strategy will serve to inform the Risk Management Policy.

Objective

The objective of the Risk Management Policy includes the following:

- To align risk-taking behavior with the strategic business objectives in the integrated development plan;
- To promote a risk management culture within the organisation and improve risk transparency to all stakeholders;
- To maximise value and net worth by managing risks that impact on the defined financial and performance drivers;
- To assist the municipality in enhancing and protecting those opportunities that represents the greatest service delivery benefits. (National Treasury, 2011)

Structure

The Risk Management Policy will formally set out the municipality's stance on enterprise risk management. The Risk Management Policy generally addresses what the municipality will do about enterprise risk management and includes the following:

- Policy statement committing the institution to implementing and maintaining a system of enterprise risk management;
- Articulating the business case for risk management;
- Scope of enterprise risk management;
- enterprise risk management model and processes to be utilised;
- Broad statement on the Institutions risk appetite; and

Review and Approval

The Risk Management Plan will be reviewed and approved on an annual basis.

8. Risk Management Implementation Plan

The primary objective of the risk management implementation plan is to facilitate the execution of risk management. The risk management implementation plan for the municipality will be prepared to give effect to the implementation of the risk management strategy and policy and sets out all risk management activities. (National Treasury, 2011)



Risk Management Policy

Risk Management Policy

1. Introduction

The primary aim of this policy is to effectively entrench risk management at Knysna Municipality.

Risk is inherent in all functions undertaken by or on behalf of Knysna Municipality. All personnel are responsible for managing the risks that relate to their particular area of work. Risks should be managed in a way that derives the best outcomes for the municipality and its stakeholders.

Knysna Municipality functions in an open, high risk environment where not only its own actions but those of all role-players and stakeholders (e.g. the community, Knysna Tourism, Service Providers, Consultants, Eskom, Auditor General, media, etc) can negatively impact on the manner in which it operates. How this function is managed can significantly affect the community, district, provincial and national interests as well as the municipality's reputation.

Risk management must be an integral proactive component of the corporate management process comprising of risk identification, prevention, minimisation, avoidance and cure.

Risk management is a systematic process to identify risks to the municipality in achieving its strategic objectives as determined in the integrated development plan. It is an integral part of the approach to decision making and accountability, comprising the organisational culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the municipal environment.

The intention of this policy cannot be to eliminate all risk to the municipality. *It is to assist personnel to manage the risks involved in all activities to maximise opportunities and minimise adverse consequences.* Effective risk management requires:

- A systematic process that should be used when making decisions to improve the effectiveness and efficiency of managing risks
- Taking action to mitigate risks

Risk Management Policy

It is important that the Accounting Officer / Authority sets the right tone for risk management in the Institution. Although all staff will be aware of the need to prevent loss and to safeguard stakeholders' interests, they may not be quite so clear about the Institution's standpoint on risk.

The Institution should operate within the terms of a risk management policy approved by the Accounting Officer / Authority. This is a statement that declares the Institution's commitment to risk management.

It is therefore common for the Accounting Officer / Authority to publish a risk management policy. The risk management policy should be communicated to all incumbent officials and arrangements should be made for communicating the policy to all new recruits.

The risk management policy outlines the Institution's commitment to protecting the Institution against adverse outcomes, which may impact negatively on service delivery. It will also confirm the Institution's commitment to legal and regulatory compliance. (National Treasury, 2010)

- Identifying and exploiting opportunities identified during risk management processes
- Risk management planning
- Effective communication
- Balance between the cost of managing risks and the anticipated benefits.
- Systems, (Structures, Risk, Register, Risk Management Standard Operating Procedure, Information Technology, etc

2. Objectives

The Risk Management Policy aims to address multiple objectives.

Inform and Facilitate

Effective risk management affects everyone in the Municipality. To ensure a widespread understanding, executive management and all departmental managers should be familiar with, and all staff and councillors aware of, the principles set out in this policy.

Strategic Alignment

Risk management activities will be aligned to the integrated development plan projects, plans, objectives and priorities. It will encompass all strategic and operational risks that may prevent the municipality from fulfilling its objectives.

Mitigate

The Council will anticipate and take preventative action to avoid risks rather than dealing with the consequences.

A consistent approach to the identification, assessment and management of risks will be embedded throughout the Council.

Risk control and mitigation measures will be effective, appropriate, proportionate, affordable and flexible. Risk controls will not be implemented where the cost and effort is disproportionate to the expected benefits. The Council will commit the necessary resources to implement risk management consistent with the above principles.

Sets Risk Management Standards

The policy sets the standard at which Council intends and expects risk to be managed and accordingly ensures that such a required standard is known and set for the organisation.

Monitor and Review

The policy sets standards, processes and responsibilities to make it is possible to monitor the extent that risk management responsibility is met. This includes assessment of whether the risk management strategy is producing the sustainable outcomes as originally envisaged.

Compliance

This policy aims to achieve compliance and to implement best practices in support of Section 62 (1)(c)(i) of the Municipal Finance Management Act . To avoid future audit findings risk management must be performed to at minimum a compliance level which includes the adoption and implementation of a Risk Management Policy.

3. Stakeholders: Powers and Accountability

Council

The role and function of Council is to ensure that appropriate risk strategies, policies and processes are adopted, that powers and functions are clearly defined, assigned and performed, and that those made responsible are empowered and enabled in accordance with their responsibilities.

It also ensures that all other strategies and policies are aligned with risk management strategies, plans, requirements and standards. It oversees risk management progress and performance.

Finance, Economic Development and Governance Committee

Oversight with regards to all risk related issues will be performed by the Finance, Economic Development and Governance Committee. This includes workshopping, review, implementation, reporting and submission to Council for information, attention or approval of risk management and related issues.

Risk Management Committee

The committee is appointed and chaired by the Accounting Officer. Its responsibility is to review and assess the effectiveness and control processes of risk management within the municipality and present its findings to the Audit Committee.

Management Team

The management team shall act as the body at which the corporate risk management plan is developed and reviewed on an annual basis for adoption by Council. Such a body shall also oversee the annual risk management process and copies of all Directorial and Departmental Risk Management Plans must be submitted for quality assurance purposes to the management team.

Audit Committee

The Corporate Risk Management Policy and Plan and/or any amendment thereof must be submitted for scrutiny and comments to the audit committee. King III tasks the audit committee with the responsibility of monitoring the appropriateness of the municipality's

combined assurance model and ensuring that significant risks facing the municipality are adequately addressed.

Municipal Employees

This policy requires all employees to take responsibility for the cost effective management of risk in all aspects. Employees are accountable to management for implementing and monitoring the process of risk management and integrating it into their day-to-day activities.

Responsibilities include:

- Familiarity with the overall risk vision of the municipality, Risk Management Strategy, Risk Management Policy and the Anti Fraud and Corruption Strategy and Fraud Response Plan;
- Acting according to the above framework;
- Acting within the risk appetite and tolerance levels set by the risk management committee;
- Adhering to the code of conduct for the municipality (Code of Conduct for municipal staff members, Schedule 2 MSA No 32 of 2000);
- Maintaining the functioning of the control environment (risk register), information and communication as well as the monitoring systems within their delegated responsibility;
- Providing information and cooperation with other role players;
- Participation in risk identification and risk assessment within their section, department and directorate;
- Implementation of risk responses to address the identified risks.

Implementing Accountability

The powers and functions of each level of management, the accounting officer and those responsible for the implementation of and compliance with the Policy are to be clearly defined in the Risk Management Standard Operating Procedures to be developed in line with the Risk Management Policy.

4. Stakeholders Placing the Municipality at Risk

Stakeholders that could through their action or lack of action put the Council at risk should in every management plan and performance assessment be identified and defined and provided for in risk management assessments and strategies.

5. Specialised Support and Operational Coordination

The Performance, Internal Audit and Risk Management department shall act as the internal specialised support unit that will assist all levels of management during the risk management process.

It will also coordinate a structured approach in terms of the policy and monitor compliance with the policy by all levels of management and report on its finding to the Municipal Manager as the Accounting Officer, Risk Management Committee and to the Audit Committee.

6. Risk Functions and Activities

Internal and External Risks

Internal and external risks are monitored and managed continuously i.e. external threats and internal weaknesses that may in the future have an adverse effect on the municipality and/or its beneficiaries.

Accountability is accepted for the risks faced by the Municipality at every level of management and is not left as the responsibility and/or function of only the Accounting Officer, Executive Management Team or that of a single department.

Risk Management is a Formal Annual Process

Risk Management is not an ad hoc, once off, reactive or crisis management process and will be performed in a structured and formal manner at least once a year, every year to reflect the current state of risk management within the municipality. The annual risk planning review process will include;

- The review of the Risk Management Policy
- Appraisal of the Risk Management Committees;
 - Effectiveness
 - Performance
 - Structure
 - Reporting
- Review of Risk Management Structures
- Risk workshops to review the Risk Register
- Assurance that the Internal Audit Plan is aligned with the Risk Register
- Review of Risk Management Systems

Uniform and Consistent Approach

To derive optimal benefits, risk management should to be conducted in a systematic manner throughout the municipality.

Development of Managerial Capacity

Risk Management requires specialised skill and management shall be trained and supported accordingly.

Value for Money and Effort Approach

Risk shall be managed in accordance with the combined "impact and likeliness" value of a risk in order to ensure appropriate and economical investment of time, effort and resources.

Exploit, Prevent, Avoid, Minimise, Remedy, Eliminate Risk

Risks should be investigated to identify opportunities, manage or minimise the impact or likeliness of a risk, to prevent it, avoid it or to eliminate it.

Risk Appetite

It is the responsibility of Council to determine the risk appetite in its various areas of operation. The risk appetite should be clearly stated and articulated so that it informs management decisions. As a principle, and in support of the Municipal Finance Management Act, the municipality shall have a low risk appetite for all forms of loss resulting from negligence and wasteful or fruitless expenditure. Senior management with the assistance of the Performance, Internal Audit and Risk Management department will endeavor to determine the risk appetite of each department under their control.

Rate Importance of Risk

The different management levels must assess individual risks and their severity. Only the most severe risks will be taken to the next management level and will be integrated with other risks that emerged from other departments. This will take place within a workshop structure.

Individual risks are to be assessed in terms of the Heat Map/Risk Matrix below which takes the *Likelihood* and *Impact* of a risk into consideration to determine the severity of the risk. This is a subjective process and is therefore not a mathematical process with predetermined criteria, processes and predictable outcomes. Sound judgment, reasoning and discretion is required when deciding whether or not one risk is more critical than another; whether or not a risk requires further attention or not; and to what an extent effort and resources should be invested in managing a particular risk.

Low Likelihood High	Certain	10	20	30	40	50	60	70	80	90	100	
	'9 - 10	9	18	27	36	45	54	63	72	81	90	
	Likely	8	16	24	32	40	48	56	64	72	80	
	'7 - 8	7	14	21	28	35	42	49	56	63	70	
	Possible	6	12	18	24	30	36	42	48	54	60	
	'5 - 6	5	10	15	20	25	30	35	40	45	50	
	Unlikely	4	8	12	16	20	24	28	32	36	40	
	'3 - 4	3	6	9	12	15	18	21	24	27	30	
	Rare	2	4	6	8	10	12	14	16	18	20	
	'1 - 2	1	2	3	4	5	6	7	8	9	10	
	Insignificant '1 - 2		Minor '3 - 4			Moderate '5 - 6			Major '7 - 8		Extreme '9 - 10	
	Low Impact High											

Figure 5: Heat Map/Risk Matrix

Risk Rating	Escalation
Serious	These are serious risks and should receive the highest priority in the organisation, its efforts and in the way resources are deployed in order to minimise or resolve the impact of a risk or to avoid or prevent the risk. In these instances the likeliness and impact of the risk are both high i.e. 75 or above. (Minimum monitoring: weekly review)
High	High rated risks fall between 50 and 75. This means although the probability of the risk eventuating is high it not as likely to happen as a risk rated Serious. The risk needs to be monitored and managed accordingly. (Minimum monitoring: monthly review)
Medium	Medium risks are rated between 25 and 50. Although a risk could materialize the impact is low and effort and resources invested should be managed accordingly. (Minimum monitoring: quarterly review)
Low	These risks have low impact and low likeliness i.e. both rated below 25 out of 100. It is a low risk that requires little if any attention, effort or resource investment. (Minimum monitoring: annual review)

Figure 6: Heat Map/Risk Matrix Key

Determine Cause of Risk

In order to mitigate any risk it is imperative that the cause be determined. The focus at this point is on *Serious* and *High* risk types. At this stage of the municipality's risk maturity level it is determined that no attention will be given to risks with a combined value less than 50/100. A cause underpinning a risk may be any of the following or a combination thereof:

- A legislative nature
- A political nature
- Management capacity, skill, structure, mechanism or lack thereof
- Employee capacity or skill or lack thereof
- Financial capacity or viability
- The communities expectation, perception, action or lack of action
- Social change
- Economic change or development
- Environmental factors
- A third parties action (such as Eskom tariff increases)
- A partners/entity/ public private partnership /shared service action or lack of action
- A competitors action
- A deteriorating relationship
- Changing technology or methodology
- A product or current service level
- Technological capacity of the municipality
- Ageing, inappropriate or insufficient infrastructure
- Outdated or absent process, policy or systems and methodology/approaches
- Material availability, quality or quantity
- Plant, fleet or equipment capacity of the organisation

Unless the real cause of the risk is understood, suitable and appropriate avoidance, preventative, and remedial action cannot be taken. Failing correct identification of the cause, the result would be of a symptomatic remedial approach and the actual cause of the risk will remain unattended.

Risk Response

A risk response must be developed to ensure that an appropriate preventative, avoidance, minimisation and/or remedial strategy/action plan is developed for each of the identified critical (*Serious* and *High*) risks.

The main purpose is to reduce the impact and or likelihood.

- The risk response plan shall consist of the following:
 - What should be done
 - How it should be done
 - When it should begin and end (timeframe)
 - Who should be responsible for the respective components of the strategy and who should take overall accountability
 - What capacity and resources are required to successfully undertake the action
 - What the ultimate goal of the action is and what the desired outcome and deliverable entail. For example, is the strategy focused on avoidance, minimisation, prevention, remedy, elimination or even the transferring of the risk to another body or institution
 - What obstacles and uncertainties can impact on the successful outcome of the strategy and what are the contingencies if any.
- A project management and costing, Activity Based Costing (ABC) approach should be followed wherever necessary and possible.
- Remedial action should address the cause and could therefore be aligned with, for example, the causes listed under the *Determine Cause of Risk* section above.

Monitor and Review

The Performance, Internal Audit and Risk Management department in consultation with the Accounting Officer will coordinate an annual review of the effectiveness of the Risk Management Policy as well as all organisational risks, uninsured and uninsurable risks together with the Risk Management Committee. This annual review will take place immediately prior to the development and review of the Integrated Development Plan and Medium Term Revenue and Expenditure Framework so that it can have due regard to the current as well as the emerging risk profile of the business. This will assist management in its decisions upon which risks to focus and on the quantum of resources and effort to invest in the prevention, minimisation, avoidance and/or remedy of a particular risk. It will also assist with the prioritization of risks.

Internal Audit will monitor key controls identified in the risk management system as part of the annual audit plan developed in conjunction with the Accounting Officer, Risk Manager and approved by the Audit Committee.

The Risk Management Committee will review the risk profile in developing their recommendations to the Council regarding the Municipality's Risk Profile, Risk Management Policy and Risk Management Strategy. (Sol Plaatje Municipality, 2005)



Risk Management Committee

Risk Management Committee

1. Objective

National Treasury determines that the role of the Risk Management Committee is to develop goals, objectives and key performance indicators for the committee for approval by the Accounting Officer (National Treasury, 2010). It is envisaged that the Risk Management Committee would act as a nexus were all risk related governance issues are investigated and resolved.

2. Mandate

It is an oversight committee appointment by the municipal manager to review and assess the effectiveness and control processes of risk management within the municipality and present the findings to assurance providers such as the Audit Committee, Internal Audit and the Auditor General.

3. Membership

Risk Management Committee members are appointed by the municipal manager and it must include managers who report directly to the municipal manager. Members should have the necessary blend of skills, competencies and attributes, including the following critical aspects:

- an intimate understanding of the municipalities mandate and operations;
- the ability to act independently and objectively in the interest of the municipality; and
- a thorough knowledge of risk management principles and their application.

The Committee is chaired by the municipal manager. The committee should have a minimum of five (5) senior managers but with no limit to the total number of members. The risk management committee should convene at least twice a year. Reports to the committee should provide the members with sufficient

Guide Documents

NT Guidelines for the Risk Management Committee

Code of Conduct for Councillors

Code of Conduct for Staff

Anti Fraud Corrupt Strategy
11 December 2008

Council Approved Strategies and Policies

King III Report on Corporate Governance;

Batho Pele principles

Risk Management Committee Charter (to be drafted by Committee)

Municipal Finance Management Act

NT Guidelines for the Risk Management Committee

The Accounting Officer / Authority may assign the Risk Management Committee responsibilities to the Audit Committee. Care should be taken to ensure that resources are available to the Audit Committee to deal adequately with risk governance issues in addition to their audit responsibilities. See Audit Committee Guidelines.

There is currently no legal mandate for the establishment of a Risk Management Committee.

Chairperson

Different sources recommend different options the private sector seems to prefer Chief Executive Officer (Municipal Manager). NT newest documents support external person (if so I would suggest a member of the Audit Committee)

Members

Five members recommended to be determined during the workshop process

information to effectively discharge their responsibility.
(Rhodes University, 2011)

Executive Members

- Municipal Manager (1)
- All Directors (5)
- and the Town Electrotechnical Engineer (1)

Non Executive Members and External Members

- Chief Risk Officer/ Officer tasked with risk management
- Internal audit
- Occupational Health and Safety Officer
- Insurance Officer
- Audit Committee

The Chairperson may co-opt specialists to attend committee meetings to address any issues requiring their specialised input for example Insurance, Disaster Management, Legal, Human Resources, Generally Recognised Accounting Practice, etc.

The quorum for the meeting shall be three (3) executive members.

4. Responsibilities

In discharging its oversight responsibilities relating to risk management, the Risk Management Committee has the following high level responsibilities:

- 1) Promote
 - a) managerial principles such as
 - i) accountability,
 - ii) governance,
 - iii) ethical conduct
 - iv) prevention of fraud
 - v) efficiency and effectiveness
 - vi) sustainability
 - vii) change management
 - viii) problem solving
 - ix) analytical thinking
 - x) customer focus
 - xi) service delivery innovation
 - xii) communication
 - b) the entrenchment of a risk aware environment
 - c) responsibility for risk management at all levels of the municipality including the

Current Directorate Structure

Municipal Manager
Corporate Services
Financial Services
Planning and Development
Community Services
Electrotechnical Services
Technical Services

Recommend all directors as they are exposed to different aspects of risk management in the municipality. In addition this will assist with combating a silo approach.

Occupational Health and Safety Officer

Recommend that the Occupational Health and Safety Officer officer be included as the Occupational Health and Safety Officer function directly relates to risk management and cuts across all directorates and departments.

community

- 2) Develop
 - a) risk management committee charter
 - b) goals and objectives for the committee
 - c) key performance indicators for the committee
 - d) system for the development and transfer of risk related skills and capacity
 - e) methods to review day to day operational plans for risk related issues
- 3) Determine
 - a) the risk appetite of the municipality linked to the municipality's risk tolerance, ensuring that limits are supported by a rigorous analysis and expert judgement of:
 - (1) the municipality's ability to withstand significant shocks; and
 - (2) the municipality's ability to recover financially and operationally from significant shocks
 - (3) the municipality's willingness to take on risk to achieve a desirable goal
- 4) Review
 - a) the risk appetite and make recommendations for approval by the Accounting Officer
 - b) the risk management maturity of the municipality
 - c) the risk management strategy and policy
 - d) the fraud prevention policy
 - e) the institution's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
 - f) 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
- 5) Evaluate
 - a) the effectiveness of mitigating strategies to address the material risks
 - b) the effectiveness of the implementation of the fraud prevention strategy and policy
- 6) Report
 - a) on key risk management issues as well as ad hoc reporting and evaluation
 - b) on any material changes to the risk profile of the municipality
 - c) to the municipal manager on the state of risk management, together with aspects requiring improvement accompanied by the committee's recommendations to address such issues.

5. Chief Risk Officer / Officer Tasked with Risk Management

The Chief Risk Officer will provide administrative support to the Committee and should therefore have a dotted reporting line to the Risk Management Committee. (National Treasury, 2010)

The functions of the Chief Risk Officer / Officer Tasked with Risk Management will include;

- facilitating orientation and training for the Risk Management Committee
- reporting risk intelligence to the Accounting Officer / Authority, Management and the Risk Management Committee
- update and disseminate the Risk Register

The Municipal Manager in consultation with the Risk Management Committee **or** Audit Committee should evaluate the performance of the Chief Risk Officer. (National Treasury, Unknown)

Acronyms

Acronym	Narrative	Acronym	Narrative
ABC	Activity Based Costing	MTREF	Medium Term Revenue and Expenditure Framework
AG	Auditor General	N/A	Not Applicable
AIDS	Acquired Immune Deficiency Syndrome	NT	National Treasury
Bldg.	Building	NTPSRMF	National Treasury Public Sector Risk Management Framework
CRO	Chief Risk Officer	OHS	Occupational Health and Safety
DWAF	Department of Water Affairs	PIARM	Performance, Internal Audit and Risk Management
ERM	Enterprise Risk Management	PMS	Performance Management System
FIFA	Fédération Internationale de Football Association	PPP	Public Private Partnership
GRAP	Generally Recognised Accounting Practice	R&M	Repairs and Maintenance
HIV	Human Immunodeficiency Virus	Rds	Roads
HR	Human Resources	RIMP	Risk Management Implementation Plan
i.e.	<i>Latin "id est" (that is)</i>	RMC	Risk Management Committee
IA	Internal Audit	RMP	Risk Management Policy
IDP	Integrated Development Plan	RMS	Risk Management Strategy
IT	Information Technology	RMSOP	Risk Management Standard Operating Procedure
KM	Knysna Municipality	S/Wtr	Storm Water
LED	Local Economic Development	s57	Section 57 MSA No 32 of 2000
MFMA	Municipal Finance Management Act 56 of 2003		
MM	Municipal Manager		

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