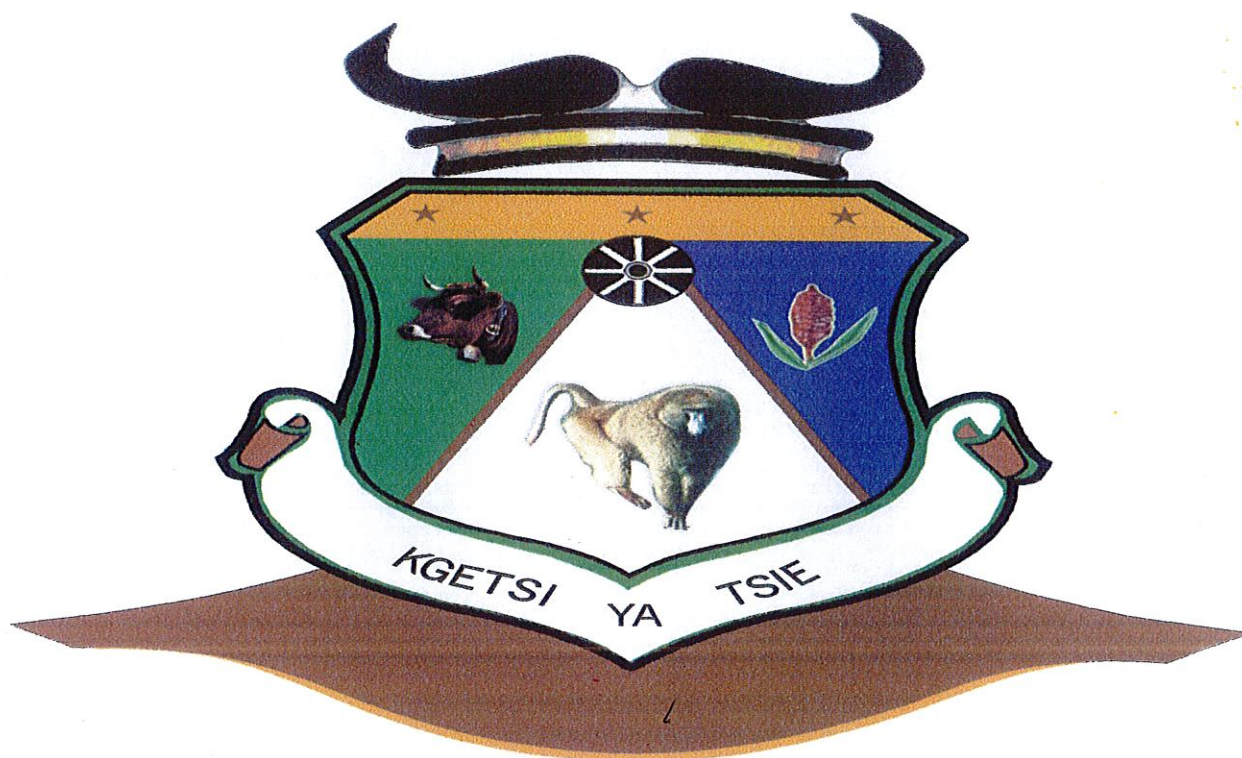


COUNCIL RESOLUTION NUMBER 05/12/2014

RAMOTSHERE MOILOA LOCAL MUNICIPALITY



RISK MANAGEMENT CATEGORIES 2014/2015 FINANCIAL YEAR

AM

1. Introduction

In terms of Risk Management Framework National Treasury, a municipality should have a list of the different risk categories.

As the risk environment is so varied and complex, it is useful to group potential events into risk categories.

By aggregating events horizontally across an institution and vertically within operational units, management develops an understanding of the inter-relationship between events, gaining enhanced information as a basis for risk assessment.

The main categories to group individual risk exposures are as follows:

	Human Resources	<p>Risks that relate to human resources of an institution. These risks can have an effect on an institution's human capital with regard to:</p> <ul style="list-style-type: none"> • Integrity and honesty; • Recruitment; • Skills and competence; • Employment wellness; • Employment relations; • Retention.
	Knowledge and Information Management	<p>In identifying risks relating to an institution's management of knowledge and information, the following aspects are to be considered which relate to knowledge management:</p> <ul style="list-style-type: none"> • Availability of information; • Stability of the information; • Integrity of information data; • Relevance of the information; • Retention; and • Safeguarding.
	Litigation	Risk that the institution might suffer loss, due to litigation and

	lawsuits against it. Losses from litigation can possibly emanate from: <ul style="list-style-type: none"> • Claims by employees, the public, service providers and other third parties • Failure by an institution to exercise certain rights that are to its advantage
Loss \ theft of assets	Risks that an institution might suffer loss, due to either theft or loss of an asset of the institution.
Material Resources (procurement risk)	Risks relating to an institution's material resources. Possible aspects to consider include: <ul style="list-style-type: none"> • Availability of material; • Costs and means of acquiring \procuring resources; and • The wastage of material resources.
Service Delivery	Every institution exists to provide value for its stakeholders. The risk will arise if the appropriate quality of service is not delivered to citizens.
Information Technology	Risks relating specifically to the institution's IT objectives, infrastructure requirement, etc. Possible considerations could include the following when identifying applicable risks: <ul style="list-style-type: none"> • Security concerns • Technology availability (uptime) • Application of IT infrastructure • Integration / interface of systems • Effectiveness of technology; and • Obsolescence of technology
Third party performance	Risks related to an institution's dependence on the performance of a third party. Risks in this regard could occur by the likelihood that a service provider might not perform according to the service level agreement, entered into with an institution. Non performance could include: <ul style="list-style-type: none"> • Outright failure to perform • Not rendering the required service in time

		<ul style="list-style-type: none"> • Not rendering the correct service; and • Inadequate / poor quality of performance
	Health & Safety	Risks from occupational health and safety issues e.g. injury on duty; outbreak of disease within the institution etc.
	Disaster Recovery / Business continuity	<p>Risks related to an institution's preparedness or absence thereto of disasters that could impact the normal functioning of the institution e.g. natural disasters, act of terrorism etc. This would lead to the disruption of processes and service delivery and could include the possible disruption of operations at the onset of a crisis to the resumption of critical activities. Factors to consider include:</p> <ul style="list-style-type: none"> • Disaster management procedures; and • Contingency planning
	Compliance \ Regulatory	<p>Risks related to the compliance requirements that an institution has to meet. Aspects to consider in this regards are:</p> <ul style="list-style-type: none"> • Failure to monitor or enforce compliance; • Monitoring and enforcement of mechanisms; • Consequences of non-compliance; and • Fines and penalties paid.
	Fraud and Corruption	These risks relate to illegal or improper acts by employees resulting in a loss of the institution's assets or resources.
	Financial	<p>Risks encompassing the entire scope of general financial management. Potential factors to consider include:</p> <ul style="list-style-type: none"> • Cash flow adequacy and management thereof; • Financial losses; • Wasteful expenditure; • Budget allocations; • Financial statement integrity • Revenue collection; and • Increasing operational expenditure
	Cultural	Risks relating to an institution's overall culture and control environment. The various factors that relate to organizational culture include:

	<ul style="list-style-type: none"> • The effectiveness of communication channels; • Cultural integration; • Entrenchment of ethics and values; • Goal alignment; and • Management style.
Reputation	Factors that could result in the tarnishing of an institution's reputation, public perception and image.
Economic Environment	<p>Risks related to the institution's economic environment.</p> <p>Factors to consider include:</p> <ul style="list-style-type: none"> • Inflation; • Foreign exchange fluctuations; • Interest rate; • Unemployment
Political Environment	<p>Risks emanating from political factors and decisions that have an impact on the institution's mandate and operations.</p> <p>Possible factors to consider include:</p> <ul style="list-style-type: none"> • Political unrest; • Local, Provincial and National elections; and • Changes in office bearers.
Social Environment	<p>Risks related to the institution's social environment. Possible factors to consider include:</p> <ul style="list-style-type: none"> • Crime • Substance abuse • Immigration • Urban migration
Natural Environment	<p>Risks relating to the institution's natural environment and its impact on normal operations. Factors to be considered are:</p> <ul style="list-style-type: none"> • Depletion of natural resources; • Environmental degradation • Spillage; and • Pollution
Technological Environment	Risks related to the institution's legislative environment e.g. changes in legislation, conflicting legislation.

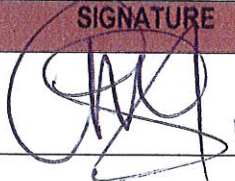
2. PRIMARY CONTACTS

NAME	DESIGNATION	CONTACT DETAILS
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RECOMMENDATION BY THE COUNCIL COMMITTEE

The document was considered by the Council at a meeting that took place on the 17 December 2014. It was resolved to recommend the approval of the risk categories plan.

3. APPROVAL

DESIGNATION	NAME	SIGNATURE	DATE
Municipal Manager	Mr C Maema		18/12/2014

4. COUNCIL RESOLUTION

COUNCIL RESOLUTION NUMBER	DATE
05/12/2014	18/12/2014