



NDLAMBE MUNICIPALITY

FINANCE DIRECTORATE

RISK ASSESSMENT

SEPTEMBER 2008

Risk Assessment

The finance directorate has gone through a process of identifying risks that affect the directorate and its operations.

Crosscutting Risks

In addition to the KPA specific risks, a number of risks were identified that are general in nature and are crosscutting throughout the directorate.

The crosscutting risks are as follows:

- Inadequate succession planning
- Inadequate continuity plans in place
- Inadequate financial management information systems in place in the finance directorate
- Over dependence on key individuals
- Lack of cohesion of the entire finance staff
- Lack of dedicated staff
- Performance Management System not fully implemented

Rating of Risks

To rate the KPA and crosscutting risks, the likelihood and the impact of the risk was rated on a 1-10 scale (low to high).

(a) Likelihood

Likelihood is the probability (considering the present control environment or action in hand) that an adverse event, which could cause materialization of the risk, may occur, rated on a scale of 1-10:

- | | | |
|----|---|---|
| 1 | - | Adverse event will not occur |
| 3 | - | Highly unlikely that adverse event will occur |
| 5 | - | It is more likely that adverse event will occur than not |
| 7 | - | Highly likely that the adverse event will occur |
| 10 | - | Adverse event will definitely occur or is already occurring |

(b) Impact

Impact is the potential loss to the finance directorate should the risk materialize, rated on a scale of 1 to 10;

- | | | |
|----|---|---|
| 1 | - | Ignore: impact on adverse event is negligible |
| 3 | - | Minor: event will be coped with |
| 5 | - | Significant: |
| 7 | - | Major: will need intervention |
| 10 | - | Catastrophic: could lead to collapse |

The average score of both the likelihood and impact was taken and the sum of these averaged to obtain a priority ranking for each risk.

2007 Ranking	Finance Directorate Risks	Focus Area	Likelihood	Impact	Average Total
1	Insufficient capital budget	All	6.50	7.50	7.00
2	Insufficient operating budget	All	6.50	7.50	7.00
3	Inability to recover debt owed to Ndlambe	Income	7.86	8.21	8.04
4	Reliance on unsustainable funding	All	6.25	6.75	6.50
5	Insufficient funds from National Treasury to support indigents	Income	7.83	8.17	8.00
6	Reserves being depleted to combat cash flow problems	Expenditure	7.67	6.83	7.25
7	Inaccurate indigent data base	Income	6.67	7.00	6.84
8	Non-adherence to credit control policy	Income	6.50	6.50	6.5
9	Tariffs and tariff increases not in line with actual costs of services	Income	5.50	5.00	5.25
10	Insufficient control over assets and asset register not updated		6.50	6.67	6.59
11	Directorates do not have real time access to expenditure votes	Expenditure	5.83	7.33	6.58
12	Non-adherence to supply chain management policy	Expenditure	5.67	5.67	5.67
13	Lack of financial literacy amongst financial and non-financial staff	All	4.50	6.33	5.42
14	Inaccurate payroll masterfile information	Expenditure	6.17	4.50	5.34
15	Old and outdated IT equipment not conducive to effective service delivery	All	6.50	7.33	6.92
16	Outdated financial system that does not meet the requirements of current legislation	All	6.00	7.33	6.67
17	Abuse of IT infrastructure i.e. internet and e-mails	All	5.33	7.83	6.58
18	Inadequate security of IT systems	All	6.17	7.00	6.59
19	Lack of adequate internal controls	All	6.83	8.00	7.42

20	Lack of updated policies and procedures	All	5.67	7.67	6.67
21	Non-adherence to existing policies and procedures due to lack of knowledge, understanding and the awareness thereof	All	5.33	7.67	6.50
22	By-laws old and outdated	All	6.50	9.00	7.75
23	Non-compliance with legislation	All	6.83	7.67	7.25
24	Lack of productivity due to unmotivated staff	All	8.00	8.83	8.42
25	Lack of formalized training and development programme for staff	All	7.50	9.00	8.25
26	Lack of adequate number of staff	All	7.17	8.50	7.84
27	Lack of cascaded performance management system	All	7.33	8.17	7.75
28	Inadequate storage space for documentation and back-ups	All	7.00	8.17	7.59
29	Inadequate office space for staff	All	5.17	8.33	6.75
30	Bad working conditions and facilities for staff	All	7.67	8.25	7.96
31	Manelec not doing disconnections as required	Income	8.00	8.67	8.34
32	Over dependency on certain individuals in finance	All	7.17	8.67	7.92
33	Lack of cohesion of the entire finance staff	All	6.83	8.17	7.50
34	Lack of dedicated staff in the finance directorate	All	5.83	7.15	6.49