

**RISK MANAGEMENT AS AN INSTRUMENT FOR PROTECTING ASSETS AT
NKETOANE LOCAL MUNICIPALITY IN FREE STATE PROVINCE**

By

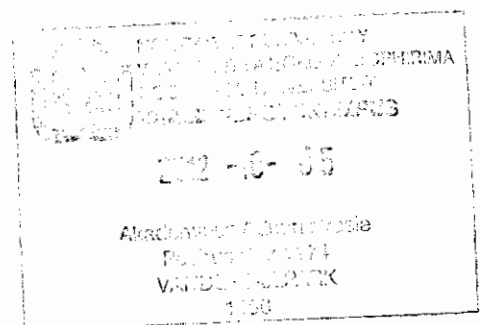
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Master of Arts in Development and Management at the (Vaal Triangle Campus) of
the North-West University**

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DECLARATION

I DECLARE THAT THE RESEARCH TITTLE **“RISK MANAGEMENT AS AN INSTRUMENT FOR ASSET PROTECTION AT NKETOANE LOCAL MUNICIPALITY”** IS MY OWN WORK AND THAT ALL THE SOURCES THAT I HAVE QUOTED HAVE BEEN INDICATED AND ACKNOWLEDGED BY MEANS OF COMPLETE REFERENCE.

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- The LORD my GOD, for the strength to continue when human nature threaten me.

ABSTRACT

Local Governments are the closest sphere of government to the people and are the ones who render all different kinds of service to people on daily basis. The national sphere of government create the policies and legislations in regard to risk management for protection of assets and how the local government should render the service to community and most probably gives a mandate which services and responsibility rest on local sphere.

The primary objective of this research is to investigate various kinds and sources of risks that local municipality and the community are exposed to, as well as the measures and methods available to manage these risks. Evaluation of risks report by municipality, ability of municipality to detect risks and community schedules of meeting for risks with accountable people is assessed.

The research revealed that there are loopholes when it comes to Nketoane municipality to protect environmental, human, heritage, financial, organisational, customer and physical assets that are always exposed to daily risks. From the research it was evident that Nketoane Local Municipality normally fail to protect the above asset at the same time without compromising one of them.

To ensure the implementation of effective risk management system, the municipality should adhere to policies created by national sphere, risk management framework should be developed by each municipality to assess, identify, mitigate, review, transfer and monitor risks where it is applicable on continuous basis.

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CHAPTER 1

ORIENTATION AND BACKGROUND

1.1 INTRODUCTION

This chapter presents the background and the problem statement of the study. The chapter also discusses research questions, objectives and hypothesis. Further, the chapter describes the research methodology used to realize the objectives and the chapter outline for this study.

1.2 ORIENTATION AND BACKGROUND

Globally, government institutions have located amplified prominence on the meaning of risk management and asset protection. The interest in risk management has developed in the public sector as it is emphasized in the private sector. These developments arise based on the development of information technology and financial engineering to measure risks more accurately with the aim of protecting assets in the public sector (Cumming and Hirtle, 2001:1).

The increasing pace of change, society demands and market globalization all put risk management high on the agenda for forward thinking (Valsamakis *et al.*, 2005:12). Carl (2001:99) indicates that risk management is of a multi sectoral nature as it composes of an ability to coordinate effectively, has to be integrated with development planning and be carried into action by officials whose job descriptions is also adhering to risk management. Valsamakis *et al* (2005:12) state that “risk management is an administrative task meant for protecting the association, its employees, resources, and profits in opposition to the material and monetary fine of risks”. Hence, risk management involves a sequence of commercial judgments, together with a set of verification and steadiness. Checks and balances include; as set forward by Cumming and Hirtle

(2001:3); “risk confines, autonomous risk management roles, risk coverage, together with the analysis and omission by superior supervision and the panel of executives”.

Risk management, moreover, involves preparation, coordinating and directing risk control and financing (Cumming and Hirtle, 2001:3; Visser and Erasmus, 2009:196) with an aim to enhance the effective management of an organisation’s potential opportunities and any risks that may adversely affect it (Dale *et al.*, 2006:3). In line with the latter Van Zyl (2006:12) emphasizes that it “is usually acknowledged that various corrective thoughtful of disaster risk management is forever necessary. Institutional hard works to guard nation’s significant communal and classified infrastructures have mixed progress”.

Risk management, as an instrument of protecting assets, is, literally, expected to protect financial, physical, personnel and natural assets of the whole country. Sections 1 and 2 of the *Disaster Management, (Act 57 of 2002)* stipulates that the accountability for risk and disaster management in South Africa generally take it easy with the supervision, and with the need of all government spheres to protected the welfare of its citizens, also declared in section 41(1) (b) of the *Constitution of the Republic of South Africa of 1996* also emphasizes this responsibility. In line with chapter 2 of the *Constitution (1996)*, the Bill of rights also aims at giving effect to fundamental, individual rights which are not limited to the right to live, right to protection and secure environments, as well as to wellbeing, foodstuff, water and communal security.

The administration of asset management activities is an important component of an institution’s safety and soundness on supervisory framework. An asset is a resource/supply prohibited via the establishment because of the effects of very old time’s proceedings of which prospect monetary compensation or examination probables are expected to pour to the society (Terumoto, 2006:168). Asset management, furthermore, includes all methodical and corresponding measures and performs throughout in such a way that an organization optimally and sustainably manages its assets schemes all together with their linked recital, risks and expenses over the life

cycles via the objective of achieving its strategic decision-making plan (Lambregts and Anton, 2009:5).

Chapter 5 of the *Municipal Systems Act, (Act 32 of 2000)* is covenant to integrated development planning [IDP] which describes a single strategic plan, that guides and informs all assessments looking up to administration and improvement. Risk management, on the other hand, does not entail hand over of expertise and assets to any local performers. Fairly so, the most excellent sharing out of expertise and tasks must be set up for a particular situation. Adding to the latter, Visser and Erasmus (2009:198) point out that a risk management unit must ensure interpersonal communication skills, well trained staff members to handle technicalities of risk management and effective cooperation at all times.

1.3 PROBLEM STATEMENT

Municipalities have a broad range of responsibilities to protect municipal assets and to prevent unnecessary risks in the institution. Managing risks is one of the greatest challenges of the 21st century. Factors such as the ever-growing population and the escalation of monetary and ecological fatalities as a result of normal or human-made disasters present a need for a logical move towards the administration of risks (George, 2003).

Van Niekerk (2005:20) indicates that risks are generated by unsustainable development practices while development must take place. In this regard, the transition of South African local government with regard to municipal assets is also a major concern. With specific reference to the Nketoane Local Municipality (NLM), the fact that the new administration did not receive transition briefing materials prepared by the outgoing administration, presents challenges seeing that risk assessment information is crucial to enable it to operate effectively (NGA-OMCT, 2007:1).

National Treasury (SA, 2005:16) emphasizes that “municipal entities lack clear lines of authority, accountability and performance criteria that will possibly contribute towards reducing risk, develop foundation measures and methods, and boost resources and supply management”. Furthermore, Fernando and Fernholz (2007:20) indicate that “monetary coverage is the solitary calculated structure of NLM’s competence that maintain help to grasp the awareness of investors, loaners and to discover the real investment options tactically”. Despite the investor attraction, the same authors found that the municipal property of NLM lacks tactical center of attention and is mostly taken care of as a depressed cost in stipulation of municipal services or as a technical point synchronized by privatization process (National Treasury, SA, 2005:16; Fernando and Fernholz, 2007:20).

The *Constitution of the Republic of South Africa (1996)*, throughout sections 11 and 27, provides for rights to life, health care and social security. In order to assist NLM to give effect to these rights, Sekulisa (2009) stresses that the issues of scarcity of ambulances, fire rescue teams, limited skills, and personnel safety must be addressed urgently since, it will be impossible for administrative officials to carry out disaster related responses by themselves if a large scale of disaster occurs in this area.

According to the Office of the State Comptroller in New York (2010) government lose great bulks of assets due to fraud and corruption that exist in government department. Officers of local spheres should be more attentive and look up on the interior controls to avoid deception, violence from taking place and to become aware of it if it does happen. A Paper presented at the public works’ zero tolerance stance conference on fraud and corruption (Pasha, 2007: 2) states that Fraud and Corruption in assets take many forms which can include bribery, nepotism, Patronage, theft of assets, evasion of taxes, diversion of revenues, protests with destruction and electoral fraud. MEC Maureen Modiselle in her speech (2006) added that individuals fraudulently obtain funds from government in a form of invoices for work not performed, assets like vehicles are used for personal benefits and they undertake activities that are against the law in regard to collection of revenue, claims for travel and subsistence compensation.

It is apprehended that NLM lacks clear line of authority, accountability and performance criteria that is needed to reduce risk. As the result, there is no attentive control upon avoidance of deception, theft of assets, misuse of vehicles, diversion of revenues, protest with destruction and electoral fraud. The municipality does not have the existing structure of risk management.

1.4 Aim of the study

Local Spheres of South Africa have conflicting mounting challenges aimed at useful service delivery, income compilation and cost management. These risks arise almost every day and pose challenge for municipalities to develop an ongoing process designed to identify and lessen these risks. The focus of this study centers in protecting financial assets in a municipality especially at NLM. Against this background, this study aims to examine the economic rationale for managing risk in NLM. The study aims to investigate existing risk management procedures around emergency preparedness in NLM. The objective is to put down some of the key issues that administrators and risk management implementers deal with in judging and mounting risk management systems on financial assets. Further, the study will look at existing loopholes on managing risks effectively and aim to provide suggestions on tools to measure and identify risks associated with the protection of financial assets.

The study further intends to investigate useful models which can link risk management with development and asset protection at NLM. The South African government came up with legislative framework such as the National Anti Corruption Forum and Municipal Financial Management Act, which were aimed to enforce proper utilization of government assets; therefore the study seek to evaluate the effectiveness of the respective legislations.

1.5 HYPOTHESIS

A proper asset protection plan can function to protect municipal assets whereby a meaningful monetary and asset controls can assist to cut stealing, deception and misuse at NLM.

1.6 RESEARCH QUESTIONS

With the orientation of the problem statement, the study will try to find answers for the following questions:

- What is meant by the concepts risk management and asset protection?
- Which criteria are currently employed to establish and develop risk management at NLM?
- Does risk management serve as an instrument to protect assets in NLM?
- What recommendations can be offered to add value to improve risk management as an instrument to protect and/or enhance assets at NLM?

1.7 RESEARCH OBJECTIVES

Flowing from the problem statement and research questions, the objectives of the research study involves the following:

- To give an academic explanation of the notions of risk management and asset protection.
- To provide an overview of the criteria currently employed to establish and develop risk management at NLM.
- To explore whether risk management serves as an instrument to protect assets in NLM.

- To offer a lay down of recommendations for the successful implementation of risk management as an instrument to protect and enhance assets at LNM.

1.8 RESEARCH METHODOLOGY

The study will utilize mixed methods research to validate the abovementioned problems. Mixed methods are defined as the division of study whereby the examiner merges quantitative and qualitative research practices, systems, approaches, thoughts or language into a solitary study. Mixed methods study try to legitimate the work out of several looms in responding to study questions, not reasonably restricting or constraining researchers' choices. The researcher will follow both qualitative and quantitative research methods in addressing this study research (Johnson and Anthony. 2010: 17).

James (1997) defines "qualitative research as a fundamental phrase for probing methodologies described as ethnography, naturalistic, anthropological, field, or participant observer research". Quantitative research is a process that is systematic and objective in its ways of using numerical data from only a selected subgroup of a population to generalize the findings to the universe that is being studied (Maree and Pietersen, 2010:145). The measurements for quantitative research are objective and statistically valid (Guide Star Communications, 2003); for this reason, the study will utilize quantitative method in order to determine the frequency and percentage of the responses observed from the selected sample.

1.8.1 Literature study

Cano (2010) explains that a review of literature is a serious abstract and an evaluation of the existing state of understanding or current status of the figure in a particular field. Scripts on Risk Management will, accordingly, be carried out and the subsequent sources will be utilized: books, journals, the internet, articles, the database of theses and dissertations from tertiary institutions. Information will also be obtained by studying

the legislative frameworks and government publications on Risk Management and asset protection.

1.8.2 Empirical Survey

Empirical surveys would be conducted to gather information on the nature of Risk Management and asset protection. An empirical investigation will be conducted through the use of interviews and questionnaires. On the basis of the research objectives all relevant information will be analyzed and evaluated. All information and data will be presented scientifically.

1.8.2.1 Interviews

The study will conduct interviews in order to complement the literature study. Interviews are ideally used in addition to a comparative literature survey (Theron and Wetmore, 2005:173). The interview is a key data-collection tool for conducting surveys (Frey and Oishi, 1995:1) which will be used to obtain information from the selected sample. The interviews will be semi-structured. Semi-structured interview will be utilized with the hope to provide a greater scope for discussions and learning about the problem, opinions and views of the respondents.

The respective interviews will be conducted by means of semi-structured questionnaires. Walonick (1993) indicates that a questionnaire is the current most useful admired techniques of carrying out scholarly research. Questionnaire offers a well-located way of assembling information from target residents.

1.8.2.2 Sampling

The following stakeholders were interviewed: IDP Manager; Technical Service Manager; Accounting Officer and Representatives from Union of Workers; and six Officials responsible for Asset management. Thirty community members were

interviewed. The following places were visited in order to perform the interviews and gather the required information: Petrus Steyn, Lindley, Reitz and Arlington.

1.9 PROVISIONAL CHAPTERS

The following are provisional chapters for the study:

Chapter one: Orientation and problem statement

Chapter two: Theoretical exposition of the concepts Risk Management and assets protection

Chapter three: An overview of the current strategies employed to establish and develop Risk Management at NLM

Chapter four: Empirical study on the impact of Risk Management as an instrument to protect and enhance assets at NLM

Chapter five: Conclusion, findings and recommendations

Theoretical framework of the concept asset management is discussed in the next chapter.

CHAPTER 2

THEORETICAL EXPOSITION OF THE CONCEPTS RISK MANAGEMENT AND ASSET PROTECTION

2.1 INTRODUCTION

Unnecessary loss of valuable assets and defective maintenance of available assets lead municipalities to poor service delivery. This chapter provides theoretical framework of the concept risk management, asset protection, importance and goals of asset management.

2.2 BACKGROUND AND DEFINITION

According to the Department of Local Government of Sydney South (2006: 4) local government is accountable for infrastructure assets including roads, water and sewerage assets, drains, bridges, footpaths and public buildings. A well built and sustainable local government scheme requires a good development procedure to guarantee that these assets are maintained and transformed in the most proper manner on behalf of local communities. As custodian, local government is responsible to successfully account for and control these assets to look upon for a long term purpose.

The sections below describe the concepts asset and asset management.

2.2.1 Asset

Asset is defined as a touchable piece of material, goods, plant or tools held by a local sphere for use in the services for implementation or administrative purposes (Kwadukuza Municipality, 2008:4). Keith and Alan (2008:10) classify diverse types of assets, for example, "monetary assets, plant and machinery, equipment and property". The respective assets include infrastructure assets, namely "roads, irrigate and

sewerage assets, drains, bridges, footpaths and public buildings” (The Department of Local Government of Sydney South, 2006:4). David and Gwyneth (2005:8) further indicate that the abovementioned types of assets are publicly owned by the society, but below the concerned and management of government departments. Example of publicly owned assets include the Thusong Centers (previously known as multipurpose centres, recreational facilities (halls, sports fields, parks) and community community halls.

Michael (2004:7) indicates that the respective assets are associated to a particular service rendered by a municipality. The respective assets are part of government investment since service delivery is intended to be of a sustainable nature. Fernando and Fernholz (2007:1) describe municipal assets as a material goods owned, prohibited or utilized by local spheres. Assets must be administered directly or indirectly for the improvement of their citizen in the accomplishment of service delivery goals (Fernando and Fernholz, 2007:1).

2.2.2 Asset management

Asset management refers to the management of institutional assets (Michael, 2004:7). The management of assets involves functions for setting up, administration of demand, acquirement and application, use, preservation, and removal of resources (Amathole District Municipality (ADM, 2007:14; Fernando and Fernholz, 2007: 1). William (2001:2) views asset management as a business process, whereby assets are controlled for economic benefits expected for a particular department. Asset management is also used as a form of communication strategy for decision making (William, 2001:2).

Furthermore asset management acts as the process of managing related institutional risks and costs over its entire life cycle (Department of Local Government and Traditional Affairs, 2009:7). Asset management acts as an approach to preserve national asset to deliver community benefits through the proactive long term management of infrastructural assets (Nazir, 2007:4). Institutions employ human labour, information and technology to manage assets (Sunil, 2010:3). The aim is to keep track

for planning process, and information and technology is used for information compilation, tactic assessment, line up development and response (William, 2001:2).

2.3 LEGAL AND ADMINISTRATIVE FRAMEWORK ON PUBLIC ASSETS

The function of asset management in the public sector is governed by a set of rules for ensuring efficiency, effectiveness and value for money. The respective institutions are compelled to adhere to the following framework towards effective asset management and for combatting unnecessary risks.

- *The Constitution of the Republic of South Africa, 1996*

The 1996 Constitution, prescribes clearly the responsibilities of all three spheres of government without compromising the services to be rendered by each sphere of government to the general public.

- *The Local Government: Municipal Systems Act 32, of 2000*

The Local Government: Municipal Systems Act 32 of 2000 identified interior systems that facilitate local government to function towards societal and economic improvement through available assets. This can be emphasized by performing duty that lead to effective and efficient service delivery through limited available assets.

- *Local Government: Municipal Finance Management Act, 2003 (MFMA)*

Municipal Finance Management Act 56, of 2003 (MFMA) in local government controls and ensure legal utilization of financial management and presents unvarying norms and standards for the local sphere as outlined by treasury government. The objective of the MFMA is to emphasize a secure sound financial management that is in line with the municipal budget and the IDP.

- *Occupational Health and Safety Act 104, of 2004*

The Occupational Health and Safety Act 104 of 2004 require an organization to supply and have a protective and healthy working environment particularly, keeping infrastructure assets in safe hands.

2.4 IMPORTANCE OF ASSET MANAGEMENT

Asset management is progressively becoming a more vital area for reaching positive decisions for municipalities to use various legal frameworks to ensure effectiveness in management of assets (Fernando and Fernholtz, 2007: 3). American Association of State Highway and Transportation Officials (AASHTO, 1997:5) indicates that asset management assists either public or private organization to attain to the utmost benefits to alleviate away from various possible risks.

David and Gwyneth (2005:9) further highlight the importance for managing community assets. The management of the respective assets functions to:

- support economic and social development;
- promote quality of life;
- create healthy communities;
- build a sense of community;
- avoid a sense of failure and make the most of limited resources, and know how much it all costs; and
- prevent loss of revenue and develop community support (David and Gwyneth, 2005:9).

The authors noted that it is importance to know the value of available assets since it also helps the society and the municipality to comprehend the need to sustain available resources and keeps services delivery more effective. The acknowledgment for value of assets assists local spheres to be conscious of the sum of money invested in the public assets owned by an institution to ensure effective and efficient use of the limited

resources (David and Gwyneth, 2005:9). The MFMA of 2003 guides municipalities to develop valuable asset management systems that will capitalize on the service potential of accessible assets for ensuring proper usage, maintenance, protecting and for risks avoidance.

2.5 GOALS OF ASSET MANAGEMENT

Asset management is valuable to all institutions and Kaganova and Ritu (2000: 11) describes the goals of asset management as financial goals, social use of assets and surplus of the property. The respective goals are presented below.

Financial goals

The financial goals aim to maximize good organization and reduce the expenses of assets used openly by the government. Economic goals can be achieved through:

- raising the well-organized use of facilities;
- active purpose to reducing operating costs;
- positioning government offices and services in accessible vicinity; and
- knowledge of asset treatment for cost benefits analysis attain to the above goal as planned (Kaganova and Ritu, 2000:11).

Social Use of Assets

The word social use of asset explains how material goods should be utilized to assure government social objectives reaches the highest and the best outcomes (Kaganova and Ritu, 2000:10). The goals of asset management and social investments are achieved by:

- Recognition of operating cost for a better decisions making;
- Development of various alternatives on financial support for achievement of missions (Kaganova and Ritu, 2000:11).

Surplus of the Property

Gilbert (2003: 6) indicates that some material goods are not required for municipal core purposes or public programs; however, they are referred, as additional income from properties. The asset management goal for these assets is to make the most of the monetary return on the assets and costs control. Goals are achievable by:

- Persistent revenues generating via property leasing, and
- Accumulating revenue via property taxes, maintenance cost reduction and property liability if it cannot be sold out (Kaganova and Ritu, 2000:11).

2.6 CHALLENGES FACING ASSET MANAGEMENT

David and Gwyneth (2005:11) state that government institutions face challenges in successfully implementing asset management to provide effective and efficient service delivery to their communities. Municipalities tend to have limited asset management systems and this contributes to lack of performance measures and maintenance standard (David and Gwyneth, 2005:11). The following are problems associated with municipalities for the effectiveness of asset management:

- lack of automated and inspection evaluation apparatus;
- defective exact decision support systems;
- lack of life cycle performance information to calculate social and environmental costs (David and Gwyneth, 2005:11).

AASHTO (1997:16) and David and Gwyneth (2005:11) further indicate that the management of assets is hampered by various factors caused by limited leadership skills and competency. Furthermore, the challenges may arise whereby institutions may lack resources to manage assets and poor communication between departments maybe a contributing factor to competency. Inadequate funding may also be regarded as a stumbling block towards asset management (David and Gwyneth, 2005:11).

2.7 RESPONSIBILITIES OF LOCAL GOVERNMENT

According to South African Local Government Association (SALGA, 2006:31) the task of local government can be generally categorized as follows which compels the municipalities to effectively manage their assets. The respective categories include:

- *Infrastructure and basic services:* Municipalities must provide basic services to its communities; furthermore, they need to ensure that the supporting infrastructure to deliver the respective services is met.
- *Social and welfare services:* Municipalities are required to allocate land for social and welfare services. Examples for these include municipal health services, establishment and maintenance of public parks and other recreational facilities (Mileham, 2009).
- *Administration and public order:* Municipalities also provide functions for community safety and must ensure that emergency infrastructure is functional and accessible (Mileham, 2009).
- *Municipal planning:* the development plans of a municipality are the basis for directing and managing land use and infrastructure provision, for example, the housing subsidy programme has been implemented by province, but effective implementation relies on municipal planning (SALGA, 2006:31).

Successful implementation and proper asset management for maximizing outputs is crucial for municipal investments. Bertovic *et al* (2010:4) emphasize the notion of asset management for sustainable municipal growth. Sustainable asset management depends on:

- The creation of a framework for services to be delivered by the market;
- Creating a framework for asset management to increase the costs for surplus or income generating (Bertovic *et al*, (2010:4).

2.8 SAFEGUARDING AND MAINTAINING ASSETS

Maintenance of assets remains the responsibility of a municipality. The MFMA (2003) guides municipalities to ensure good control and safeguarding over capital assets. AASHTO (1997:17) is of the opinion that asset management requires officially trained staff who are logical, exceptional thinkers, and who are capable of making sound decision through available information. Management of assets require skills such as planning, decision making and analytical skills and such skills have valuable contributions for improved asset management processes and tools (AASHTO, 1997:17). The section below describes the role-players in safeguarding and maintaining assets in government sectors as outlined by the Municipal Finance Management Act (2003).

2.8.1 Role-players in asset management

The respective role-players include the Municipal Manager, The Chief Finance Officer, Asset Manager. The respective role-players are discussed in the sections below:

- *The Municipal Manager*

The Municipal Finance Management Act, 2003 indicates that the municipal manager is held responsible for the assets management within the sphere of government. It is the responsibility of the municipal manager to guarantee that the local government has and sustains a management accounting and availability of generated information system of municipal assets. The municipality with the assistance of the municipal manager must maintain the interior monitoring system of assets management through asset register. Lastly, compliance of senior executives and their teams is outlined and mandated by the MFMA (Rorich, 2009.11).

- *Asset manager*

MFMA (2003) indicates that the asset manager is in charge of practising legal asset management protection and all asset managers' responsibilities must be reflected in the applicable municipal policy as a part of a printed system of designation in a municipality.

Asset manager must guarantee that the proper procurement of capital assets complies with all municipal policies and procedures. She/he is in charge of legal control over capital assets ensuring that assets are properly guarded from inappropriate use or loss. Appropriate procedures for the movement of assets from one user to another, for maintenance and disposals outside the municipality are enforced by asset manager. These responsibilities remain until the asset is disposed of, or transferred to another municipality (Anon, 2010:13).

- *The Chief Finance Officer*

The MFMA (2003) also indicates that the Chief Finance Officer (CFO) is in charge for proper financial investment of a municipality since assets have to be watched over and maintained. The CFO is legally bound to ensure effective, efficient, economical and transparent utilization of municipal resources. It is the task of the CFO to safeguard the municipality from any unconstitutional, unbalanced, careless expenditure and losses as a result of theft or negligent conduct. Procedures must be established by the CFO for efficient and effective utilization of monetary resources through acceptable budget planning, asset procurement and maintenance. However, CFO is legally entitled to give advices to the relevant municipal manager for proper implementations of the authority and obligations related to the financial administration of assets (Mogale City Local Municipality, 2010: 6).

- *Separation of duties*

Segregation of duties must adhere to proper processes and procedures that are in place for implementation, control and protection of municipal assets. Safeguarding of assets can be managed by means of separation of duties, whereby the individuals accountable for categorizing, payment, capturing, authorizing and receipting must be well established (Thomas, 2007:4).

- *Internal controls over asset registers*

Asset register must serve as the ultimate never failing control over municipal assets without leaving out any transaction or movement of assets. Verification of assets movement must take place timely to ensure accuracy that can differ due to type of assets as a result of risk profile and degree of physical security. (Thomas, 2007:4).

2.9 ASSET CATEGORIES

The West Coast District Municipality (2009:5) identifies the following categories to ensure proper and effective utilization of assets.

- *Infrastructure assets* which includes transport, irrigation schemes and sewage systems.
- *Public assets* are considered as assets that have an impact to the society's well being. Examples fire fighters.
- *Traditional assets* refer to major cultural resources such as art works.
- *Savings goods* are reflected as goods that are obtainable for monetary and funds gains for examples: Land for development and selling.
- *Insubstantial assets* are regarded as assets without physical substance.
- *Other assets* are considered to be employed in typical functions such as tools, The West Coast District Municipality, 2009:5).

According to the Department of Economic Affairs (2003:4) for assets to be considered and controlled effectively, assets must be categorized as follows:

- *existing and non-existing (fixed) assets;*
- *physical and non- physical assets;*
- *variable and fixed assets;*
- *monetary and non-financial assets; and*
- *Prime and less important assets* (Department of Economic Affairs, 2003:4; The Kwadukuza Municipality, 2008:20).

The asset life cycle is discussed below.

2.10 ASSET LIFE CYCLE MANAGEMENT

According to the Department of Economic Affairs (2003:9) all permanent assets generally have the following phases of asset life cycle management.

- *Planning Phase*

As per any specific purpose, assets are required for planning. Strategic implementation and requirements serves as direction force for assessments, judgment of value, performance and accessibility (Department of Economic Affairs, 2003:9).

- *Acquisition Phase*

Public Finance Management Act, 1999 and Provincial and Departmental Supply Chain Management Policies serve as the governing force for assets acquisition (Department of Economic Affairs, 2003:9).

- *Current or Committed Projects*

Acquired or committed assets should be reflected in the management of the existing assets hence, principal commitment is revealed in the monetary statements to the point where the asset is purchased (Department of Economic Affairs, 2003:9).

- *Operations & Maintenance Phase*

Life structure or planning to acquire asset must be logical since it must include asset planning cost, acquisition, and operation, maintenance and asset disposal. Operation and maintenance phase require a superior practice for undertaking the asset management process (Department of Economic Affairs, 2003:9).

Strategic approach for asset management is discussed below.

2.11 ASSET MANAGEMENT AS A STRATEGIC APPROACH

In terms of American Association of State Highway and Transportation Officials (AASHTO, 2002:30) asset management is “a recognizable professional route to monitor infrastructure; that has to be tactical, down to business and setting a quality on good sequence in all departmental units”. Tradeoffs are clearly cautious along with programs, styles or tactics (AASHTO, 2002:30). Asset management is the driving force behind the policy, goals, objectives and acceptable performance hence analysis of strategies is mostly appropriate for cost assessments (AASHTO, 2002:30).

Preventative measures are crucial for asset management. In this regard asset management is administered through a series of policy frameworks that guides institutions for managing assets. These approaches depend on tactical implementation ability to clarify outcomes as per resources allocation, service delivery and are very influential in private or public sector (AASHTO, 2002:32).

2.12 ASSET PERFORMANCE MEASURES

Michael (2004. 14) indicates that institutions have stakeholders that provide scrutiny of company management and perform a challenge function. Planning ensures that asset management is integrated with wider efficiency considerations. It also clarifies how each department can contribute to the government’s objectives for asset management (Lyons, 2004:6).

According to Nazir (2007:5) performance measures are an essential ingredient in the *mix of asset management*. Through performance measures authorities are allowed to translate high level policy objectives into solid expression of results to be achieved. More importantly, performance measures provide the necessary evidence to show prudent use of public funds which means value for money (Nazir, 2007:5).

Municipalities need to target their utilization of assets such as office space in opposition to best practice and to explore range for better use of retained assets (Michael, 2004: 28). Safeguarding of assets may be achieved by a range of methods from in house delivery to contracted out privately delivered services or in partnership with other local public sector organizations. Any financial implications together with economic impact must be the responsibility of local municipalities especially if implications will face the municipal assets (Michael, 2004: 28).

2.13 ASSET MANAGEMENT AND MAINTENANCE

Mro Software (2010:5) states that “customary asset management tactics were frequently utilizing unconnected systems that supply fundamental capabilities like financial plan and scheduling preventive maintenance”. These provide organizations with the right levels of monitoring, supervising and cleverness for more effectiveness and manage assets endlessly. Solution can be as follows, from Mro Software (2010:6):

- *Support a wide array of service and assets.* asset maintenance and management solutions should support a wide variety of services (Mro Software, 2010:6);
- *Provide integrated management support.* The support should not only look at supporting customer facing processes like a help desk or a maintenance technician. The service component of the solution should integrate with the back offices processes, such as integrated cost management and lifecycle management to enable greater cost efficiency (Popko, 2010:4).
- *Provide an enterprise level solution.* Asset Service Management solution should support cross departmental unification.
- *Leverage intelligent assets.* The asset service management solutions must have the flexibility to adapt to these new technologies (Mro Software, 2010:6):

2.14 CONSTRAINTS IN ASSET MANAGEMENT

William (2000:6) defines constraints as anything that limits a system or municipal functionality in reaching its goals and missions. Two typical constraints for asset

management are identified, namely: personnel and budget constraints. The sections below describe the respective asset management constraints.

Personnel constraints:

Local municipalities are facing a number of personnel-related issues whereby employees leave the public sector to join the private sector and this puts risk on technical functions which are increasingly being outsourced (U.S Department of Transportation, 1999:10) from the consulting agencies.

Budget constraints:

U.S Department of Transportation (1999: 11) states that budget pressures arise from the availability of funds as well as from the demand for funds. William (2000:6) classifies budget constraints in the following manner:

- *Resource*, whereby there is insufficient and lack of competent people, right equipment or facilities to satisfy the demand for products or services to be delivered to community at large.
- *Material*, this refers to inability to obtain required materials in the quantity or quality needed to satisfy the demand for products or services. Sometimes constraint exists in relation to misuse and theft of available material.
- *Financial* constraint normally happens because of scarce cash flow to sustain an operation.
- *Knowledge and Competence*: this refers to information or knowledge to improve business performance within an organization.
- *Competence*: Competence refers to the process which strives to ensure that the employees possess necessary skills to perform the asset management functions.
- *Policy*, fragmented policies can inhibit progress toward the goals of the system and can make officials to look incompetent to implement policies (William, 2000:6).

The sections below provide solutions to the abovementioned challenges.

2.15 SOLUTION FOR ASSET MANAGEMENT CONSTRAINTS

Petkoski and Twose (2003:6) state that solutions towards asset management constraints rely on the selection and proper use of the right tools or strategies at the right time where it is essential. William (2000:16) indicates that municipalities can use analysis progressive system to solve the problems of asset management. Analysis of a progressive system can be applied in the following logic:

- The *Existing Reality Tree* which is designed mainly to help in identification of the system constraint. The *Existing Reality Tree* can assist institutions to identify policies and procedures that can be used to address a particular problem.
- *Evaporating Cloud* is the kinds of conflict resolution aimed at creating a breakthrough solution to resolve hidden, underlying conflicts that tend to perpetuate the constraint especially among the employees.
- *Prospect Reality Tree* provides logical verification that a proposed solution will actually deliver the desired results. Furthermore, the Negative Branch normally helps to identify and avoid any new, devastating effects that might result from the solution (William, 2000:16).

2.16 NATIONAL FRAMEWORK FOR LOCAL GOVERNMENT FINANCIAL SUSTAINABILITY

Department of Local Government (DLG, 2006:27) at its meeting on 4 August 2006 stated that sustainability of asset management is the controlling key factor of local government effectiveness. On 20 October 2006, the Local Government and Planning Ministers' Council (LGPMC) endorsed that "the draft National Frameworks for Financial Sustainability in Local Government has a basis for discussion and also approved to a nationally unfailing approach to asset planning and management, financial planning and reporting and assessing financial sustainability" (DLG, 2006:27). The National Frameworks consist of the main components mentioned below.

2.16.1 Asset Planning and Management

Muswellbrook Shire Council (2011:19) identifies seven fundamentals for asset planning and management processes that can be adopted by institutions for effective asset management. The seven fundamentals are as follows:

- *Asset management policy development*, this will guide institutions to develop their asset management policy.
- *Tactic and setting up*, this is essential to support and implement asset management policy and guidelines;
- *Authority and Management Provision*, sustainable service delivery relies on good governance and management arrangements. Adherence to this element may enhance municipalities to link asset management to service delivery. This may be achieved through proper delegation of duties to the respective officials;
- *Significance of Service Levels*, this involves the mechanisms to establish and define the levels of service councils are expected to provide from their asset base;
- *Information and structures*, this involves a framework for collecting and storing data for asset management;
- *Expertise and progression*, the asset management framework should contain a continuous improvement program;
- *Assessment*, the asset management framework should contain a mechanism to measure its effectiveness (Muswellbrook Shire Council, 2011:19).

2.16.2 Financial Planning and Reporting

Fiscal development and coverage focuses on local governments at both the tactical and operational levels (Department of Local Government and Traditional Affairs (2009:5).

The framework below refers to the frequency for effective asset management:

- A *long term strategic plan* that deals with monetary section on how the plan will be funded and implemented.
- A *yearly financial plan* that deals with income, spending and financial performance.
- *Yearly financial statements and yearly reports* (Department of Local Government and Traditional Affairs (2009: 5)).

2.17 CONCLUSION

This chapter discussed the concept of asset management in the municipality. It also addressed the importance of classifying asset for good utilisation of rendering service that is necessary by municipality. The chapter reveals the framework created by the national sphere that provides help to local sphere in protection of the assets. Role players responsible for asset management are outlined in the legislation passed by government for municipalities. The next chapter will provide an overview of strategies to establish and develop risk management function at NLM.

CHAPTER 3

AN OVERVIEW OF THE STRATEGIES FOR ESTABLISHING AND DEVELOPING RISK MANAGEMENT FUNCTION AT NLM

3.1 INTRODUCTION

The South African Local Government sphere is faced with challenges affecting effectiveness of service delivery, income collection and cost control. As the closest sphere to communities, it has to play a developmental role in the provision of basic services and other operational services in order to fulfill its mandate. To provide these services, municipalities are expected to have resources (land, capital, human labour) to fulfill the needs of their communities. The respective assets should be accessible, resourceful and updated continuously for the minimizing risks. In most cases these resources are scarce and proper management is crucial for sustainable development. On the other hand, municipalities are worsened by increasing rate of joblessness, battle and lack of ability to pay for services with mounting demand for better service delivery (Arivia.Kom Consulting, 2010).

The objective of this chapter is to ascertain whether risk management can function as a strategy to protect assets within municipalities. This chapter portrays the concepts risk and risk management and also describes the objectives associated with risk management and its categories. The chapter attempts to recognize various ways that municipalities use to address risk through available policies, procedures and programs with need to mitigate and control severe risk factors. Current chapter also describes the process for establishing and developing risk management strategies. To realize these, the chapter describes the framework, the types of risk and the responsible persons for managing risks in a municipality. The achievement of effective risk management requires resources for enhanced management, therefore the process of risk management and its tools are discussed.

3.2 DEFINITION OF RISK AND RISK MANAGEMENT

The paragraphs below explain the concepts of risk and risk management.

Risk

Risk is defined as a measure of the lack of ability to complete the overall programme objectives within defined cost, schedule, and technical constraints (Government of UK: Strategic Partnering Taskforce, 2004: 6). Glenn (1999:11) indicates that risk consists of two fundamental elements. The first element is the risk that has *the likelihood of failing to attain a particular conclusion* (Glenn, 1999:11; Government of UK: Strategic Partnering Taskforce, 2004: 6) and are uncertain to future events (Chris *et al* 2001:27). The second is the risk which may result to *the consequences of failing to achieve the municipal outcome* (Glenn, 1999:11; Government of UK: Strategic Partnering Taskforce, 2004: 6).

Such risks often impact on strategic operations, financial and compliance objectives of an institution. Such consequences can be positive or negative (John *et al.*, 2003:6). These consequences occur on the part of an individual or group and vision held by the person or bodies that will implement the solutions (Glenn, 1999:11). The likelihood of a loss can be associated with three elements, namely: hazards, vulnerability, and exposure (The World Meteorological Organization (WMO), 2008:3; Dale *et al* 2005:3).

Risk management

Risk Management refers to the steps taken or exercised for controlling risk (Government of UK: Strategic Partnering Taskforce, 2004:7). Risk management as a "methodical approach is aimed at measuring and controlling an entity's exposure to accidental loss, theft, and liability involving human, financial, physical and natural resources" (Riaan, 2006:77). The risk management also focuses on assessing risk areas, developing risk-handling options, monitoring risks to determine how risks have changed, and documenting the overall risk management programme (The Government of UK: Strategic Partnering Taskforce, 2004:7).

Risk management also serves as the function of management willing to shield the municipality, its citizens, resources, earnings, against the consequences of unpolluted risk, reducing the severity and variability of losses (Visser and Erasmus, 2009:196). A successful risk management program engages written guiding principle, educational programs and non stopping scrutiny and assessment of policies and procedures (Visser and Erasmus, 2009:196).

The risk management objectives are discussed in the section below.

3.3 RISK MANAGEMENT OBJECTIVES

Risk issues do not have a fixed time; it emerges at any time unplanned. In recent years, public institutions have positioned amplified emphasis on the meaning of integrated risk management with the intention of coordinating all process for measuring and managing risk in their institutions (Cumming and Hirtle, 2001:1). Giorgio (2004:14) indicates that South Africa witnessed a huge growth in financial modeling for both regulatory and internal risk management purposes. The real reason for this can be a stronger perception of the importance of risk management, deregulation enabling more risk taking and technical advances encouraging both risks taking and facilitating the estimation and forecasting of risk. The Government of UK Strategic Partnering Taskforce (2004:13) highlights some objectives for risk management.

Risk management is aimed to:

- utilize most excellent action to manage risks;
- generate an atmosphere that tolerates the corporation to expect and react to change;
- avoid harm and failure, and decrease the cost of risk;
- increase consciousness in running risks right through the Council and its partners (Government of UK: Strategic Partnering Taskforce. 2004:13); and

- education in information technology and monetary engineering has made possible to measure risks more accurately (Cumming and Hirtle, 2001:1).

Risk management also serves as a communication strategy for municipalities, and it provides necessary infrastructure of information and assurance (Price Water Coopers, 2010). In most cases such objectives are documented and the document should be reviewed regularly and updated. As a guiding principle, risk management objectives are also acknowledged for various reasons. Risk management programmes are rendered for:

- Improving the probability of achievement for rotating dream into certainty as it give confidence on thinking and minimizes unwanted surprises. Managers can foresee things before they happen;
- Increasing visibility: All stakeholders remain accountable towards risk management in the municipality. The accountability rests on raising awareness on issues that may jeopardize the operation of the municipality;
- Implementing communication strategies to advanced the basis for strategy surroundings, presentation management and decision making; and
- Inserting practicality from the beginning for a good allocation of resources (Government of UK: Strategic Partnering Taskforce, 2004:13).

Municipalities can use risk management programmes to safeguard municipal assets against losses, earnings surprises and reputational damage. Regularly, municipalities often enter into contractual agreements with its Strategic Service Delivery Partnerships (SPPs) for delivering services on its behalf. Therefore the risk management programmes can serve to enhance the basis for decision-making through a clearer articulation of businesses objectives, more focused management information and a better understanding of the trade-offs between risk and reward. Such programmes also provide assurance that enables institutions to take more controlled risks and capitalize on opportunities for improved service delivery (Price Water Coopers, 2010).

The success of risk management lies with the role of a municipality to educate and disseminate information to its employees on risk management issues. The next section describes the context of developing and establishing risk management.

3.4 DEVELOPMENT AND ESTABLISHMENT OF RISK MANAGEMENT

Risk management exists to ensure adherence and safeguarding of institutional assets. Adequate organizational structure may increase the success of risk management procedures (Codjia, 2011). Municipalities seem to be more willing to go through significant hard work to expand and strengthen risk management schemes because they consider that schemes will be helpful in assessing risk and return of diverse trade lines and let them make more informed decisions (Cumming and Hirtle, 2001:2).

For risk to be handled effectively within an institution some strategies should be established and developed to protect municipal assets. The successful factor for the establishment and development of risk management depends on the following:

- An executive team that includes officials within associations and partnership to provide support on risk management;
- Approved risk management structure by senior level on how risks can be identified and monitored continuously;
- A managerial and corporation culture, which chains well consideration of risk taking and innovation; and
- A good risk management monitoring in all projects and partnership activities will constantly ensure success (Government of UK: Strategic Partnering Taskforce. 2004: 7).

The abovementioned success factors can be attained through the use of the following characteristics of risk management context (Grover, 2011). Such characteristics will include the risk management framework, types of risk, areas of responsibility, risk management process and risk management tools (Grover, 2011).

The subsequent sections describe the respective characteristics for developing and establishing risk management activities in municipalities.

3.5 RISK MANAGEMENT FRAMEWORK

The risk management framework encompasses a wide range of possible management responses to risk whether is viewed as prospect, uncertainty or hazard (Chris, 2001:32). The risk management framework is established to ensure that institutional objectives can be achieved. The Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2004) identifies the following activities related to managing organizational risk. The risk management framework is essential for municipalities to undertake since it may assist in protecting municipal assets. The framework for managing risks in a municipality could involve the activities mentioned below. These include:

- interior atmosphere;
- purpose scenery;
- occasion recognition;
- risk measurement;
- risk reaction;
- control actions;
- information and communiqué; and
- scrutiny (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2004).

Municipalities are governed by legislation which requires them to reflect balanced budgets, a situation now being jeopardized with the appearance of municipal environments that reflect negative budgets” (Arivia.Kom Consulting, 2010). The abovementioned framework may enhance effective service delivery only if the respective municipal stakeholders are knowledgeable about the risk categories that may impact on service delivery. The following section describes the types of risk that the municipality may encounter with regard to service delivery.

3.6 TYPES OF RISK

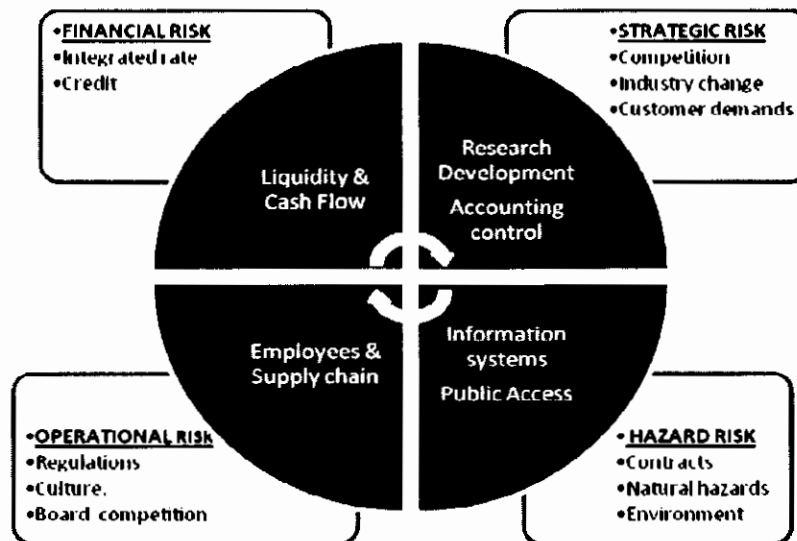
Municipalities have the responsibility to ensure that all citizens are provided with services to influence their basic needs (Van der Waldt, 2007:7). South African municipalities provide a wide range of asset-based services to businesses, government institutions, social institutions and households (Boshoff, 2009:1). These services generally include potable water and sanitation, electricity supply (and in some places electricity generation), the provision of roads and storm water. Municipalities also provide solid waste treatment and street cleansing, and a range of public amenities such as sports and recreational, cultural, health, educational and agricultural market services (Boshoff, 2009:1). Provision of such services is met through utilization of municipal resources, including finances, equipment and employees (Van der Waldt, 2007:7). Service provision may be affected by risks which could have negative impacts to municipal processes when there is a gap in service delivery processes.

To respond to the service provision challenges, municipalities agreed to a strategy paying attention on a bigger public-private partnerships and commercialization of chosen vital services (Arivia.Kom Consulting, 2010). Such partnerships are often called *Strategic Service delivery Partnerships (SSPs)*. "A SSP is a lasting partnership linking organizations that work collaboratively to attain the authority's strategic aims for delivering services" (Government of UK: Strategic Partnering Taskforce, 2003:8). These partners work in the midst of local government in mounting effective and enabling trade forms that deal with the exceptional status and tests of a South African environment (Arivia.Kom Consulting, 2010).

Services rendered are aimed to improve the lives of communities and to improve sustainable livelihoods with the aim of promoting social health and well-being, and to support economic growth in ELM (Boshoff, 2009:1). However, it is indicated that infrastructure assets tend to deteriorate faster than planned and that many infrastructure facilities are not in good working order and are overloaded, whereby they are no longer operational (Boshoff, 2009:1). These deteriorations in municipal assets results from

external and internal factors. The Enterprise Risk Management Committee (2003) and; IRM (2002:2) identify four types of risks and these include: strategic, financial, and operational and hazard risks. The diagram 3.1 illustrates the respective risks types and the sections below describe the respective risk types.

Diagram 3.1: The Four Risk Types



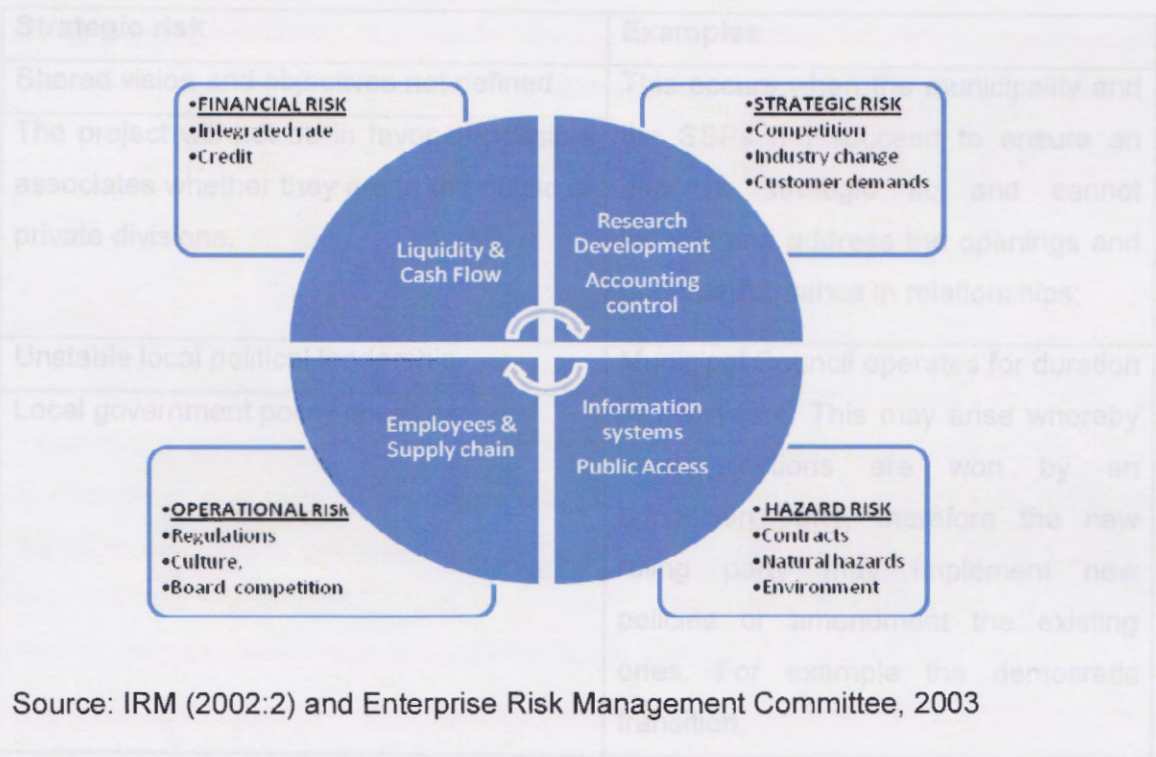
Source: IRM (2002:2) and Enterprise Risk Management Committee, 2003

3.6.1 Strategic risks

Strategic risk refers to elevated rank of threats of an SSP, at the pre-agreement of procurement or post-contract stage (Government of UK: Strategic Partnering Taskforce. 2004:27). As mentioned above, municipal services are rendered by means of partnerships. Problems may occur whereby municipal objectives are not met, and this may be caused by non conformity and delayed services by the respective partners. Therefore strategic risks enables institutions to assess and research high-level threats with the willingness of developing tactics and management answers that assist to

external and internal factors. The Enterprise Risk Management Committee (2003) and; IRM (2002:2) identify four types of risks and these include: strategic, financial, and operational and hazard risks. The diagram 3.1 illustrates the respective risks types and the sections below describe the respective risk types.

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protect a sound tactical framework from the beginning (Government of UK: Strategic Partnering Taskforce, 2004:27). Municipalities should not rely mostly on their service partners; they need to take part in the service provision regardless of it being undertaken by the contractors. Table 3.1 explains the possible issues leading to strategic risks.

Table 3.1 Strategic risk areas

Strategic risk	Examples
<p>Shared vision and objectives not defined.</p> <p>The project will not be in favor of possible associates whether they are in the public or private divisions.</p>	<p>This occurs when the municipality and the SSPs not succeed to ensure an effective strategic fit; and cannot identify and address the openings and underperformance in relationships;</p>
<p>Unstable local political leadership</p> <p>Local government policy changes.</p>	<p>Municipal Council operates for duration of five years. This may arise whereby local elections are won by an opposition party, therefore the new ruling party may implement new policies or amendment the existing ones. For example the democratic transition.</p>
<p>Joint the benefit for running together not distinct or optimized.</p> <p>Tactical addiction on solitary collaborator may diminish the authority's capability to seek improvements in competence and quality.</p> <p>Defect in political support for a public private partnership or political alignment in public partnerships.</p>	<p>A municipality may contract a private waste collection provider, whereby there is lack of oversight role and monitoring by the municipality.</p>

Partner is not meeting service delivery objectives in a reasonable or timely way.	Road construction projects
No strategic approach to issues of risk expenses and remuneration.	This occurs when they fail to robustly develop and test the economic case for the partnership.

Source: Government of UK: Strategic Partnering Taskforce, 2004:27 & 35

To avoid these threats municipal officials (chief finance officers and senior staff members) should be involved from the inception of all municipal undertakings transferred to the SSPs.

3.6.2 Operational Risk

Operational risk (sometimes called project risk) can be defined as the “risk of defeat or occurrence consequential from inadequate or ineffective internal processes, people and systems, or from external events” (Enterprise Risk Management Committee, 2003). Municipalities are confronted with operational risks. Generally, operational risks occur within an institution’s execution of its business functions. Risks that could be associated with this type include level issues of deception risks, lawful risks, physical or ecological risks (Enterprise Risk Management Committee, 2003).

These level risks relate to factors that may affect progress against phases and milestones of the partnership arrangement. It also includes “risks at the operational rank that narrate to technical problems, supplier and contract management” (Government of UK: Strategic Partnering Taskforce, 2004: 28). The Government of UK: Strategic Partnering Taskforce (2004: 28) and the Bojanala District Municipality (2006:3) identifies the categories of project risk. Table 3.2 presents the eight categories of project risk.

Table 3.2 Eight categories of project risk

CATEGORIES	EXAMPLES
Commercial risks	Branding of the municipality, external image to the community
Financial risks	Inability to pay due to overspending
Legal risks	Moneys not utilised according to regulations
Organizational management/human resource risks	Lack of skill, succession, capacity, training
Political risks	
Procurement and audit risks	Bad reflection of audit reports on performance of management
Stakeholder interest risks	Stakeholder unhappiness e.g. Voters
Technical and operational risks or Performance risk	Lack of skills that can lead to termination of delivery

Source: The Government of UK: Strategic Partnering Taskforce (2004: 28) and the Bojanala District Municipality (2006:3)

Municipal projects are executed within a specified timeframe, and the project teams usually disregard the project management process. Periodic update for municipal assets is essential for enhanced maintenance of municipal goals. Operational risk assessments are maintained for the following causes:

- to observe and calculate progress in risk management;
- to supply management with noticeable end dates and milestones;
- to spot new risk objects and issues; and

- to set up new risk management precedence (Government of UK: Strategic Partnering Taskforce, 2004:28).

Successful management of projects call for municipalities to work smarter to avoid the abovementioned issues.

3.6.3 Financial risk

Fiscal risk can be defined as “a source of financial stress that could face a government in the future” (Polackova Brixi and Schick in Carte and Ajam, 2003:2). Fiscal risks arise from obligations governments make that could require government finance and only become apparent when the institutions conducting fiscal analyses look beyond the government’s budget and debt to include contingent and explicit liabilities (Carte and Ajam, 2003:2). As municipalities enter into contracts with the service providers, payments could be delayed due to shortage of funds by the municipality. Sometimes asset pricing may be costly, whereby delays are caused in the process of service delivery. Some government entities are privatized, if municipalities is unable to manage the services, such entities may be liquidated and result to the loss of municipal assets. No payments of services by residents also contribute to financial risks, whereby municipalities are unable to provide services as intended. To some extent it becomes difficult for municipalities to pay for their liabilities.

Carte and Ajam (2003 2) identifies direct or indirect (contingent) and implicit or explicit as the four categories of fiscal risks as follows:

- *Direct liabilities*

Direct liabilities are unsurprising responsibilities that can take place under any conditions (Carte and Ajam, 2003:2). Municipalities purchase goods mostly from dealer on credit, and must account for payment of the goods irrespective of the state of the economy (Carte and Ajam, 2003:2). Direct liabilities consist of two types of liabilities, namely: *direct explicit liabilities* and *direct implicit liabilities*.

Direct explicit liabilities are legally enforcing the municipality to pay. These includes " the repayment of sovereign debt; expenditures based on budget law in the fiscal year; expenditures in the long term for legally mandated items such as civil service salaries and pensions and where applicable the entire social security system (Carte and Ajam, 2003:2). *Direct implicit liabilities* happen irrespective of the status of the economy however, the government is not lawfully bound to act. As an example is the conclusion of public investment and maintenance; the municipality anticipated to make the full payments, but not obligated by law (Carte and Ajam, 2003:2)

- *Indirect (Contingent) liabilities*

Indirect (*Contingent*) liabilities are obligations causes by a separate uncertainty event (Carte and Ajam, 2003:2). Example of this is the government guarantee scheme that is allocated to official to purchase houses or when an employee receives tuition fees from the stat (Carte & Ajam, 2003:2).

- *Contingent explicit liabilities*

Explicit liabilities are specific government obligations defined by law or contract and are paid only when a particular event occurs (Carte and Ajam, 2003:3). For example, if an employee is expelled from a workplace, the municipality for instance should pay a lump sum towards the contributions of the respective employee. The cost of contingent explicit liabilities is concealed up to the point they are triggered and therefore represent a hidden subsidy, blur fiscal analysis and drain government finances only later (Carte and Ajam, 2003:3).

- *Contingent implicit liabilities*

Contingent implicit liabilities are based on the probable incidence of a fussy occurrence and need the readiness of government to act on them and mostly these actions are frequently not recognized until after the event has occurred (Carte and Ajam, 2003:3). For example, some municipalities have indigent households, so in case one of these households is faced with a death of a family member and they are unable to bury their family member and a municipality assists the respective family.

3.6.4 Hazard risk

A hazard is a situation that pose a level of threat to life, health, property, or environment” (MacCollum (2006:10). Three modes of hazards are identified, namely: dormant, armed and active hazards (MacCollum, 2006:10).

- *Dormant*

Dormant risk is hazardous but is not harmful to people, property or the environment (MacCollum, 2006:10). The circumstance can be hazardous, but no people, property, or environment can be affected by this (MacCollum, 2006:10).

- *Armed*

South African Red Cross Society (SARCS, 2006:3) indicates that South African municipalities are challenged by many of the social and environmental risks. Armed hazard risks may have potential harm's to people, property, or environment (MacCollum, 2006:10). Such risks are common to the Southern African regions which include lack of water and floods. Scarcity is also considered as an armed risk whereby the municipality should looked upon HIV and AIDS issues; poverty as a need of education and infrastructure. Urbanization may also contribute to this leading to urban collapse as well as overcrowded and dangerous living environment (MacCollum, 2006:10; SARCS, 2006:3).

- *Active*

“Active hazard risks are considered to be harmful events including the hazard which has actually occurred” (MacCollum, 2006:10). Such risks are associated with accidents, emergency, incident, or disaster issues. Disaster issues may contains unacceptable fire in informal regions together with the possibility of group population travels, as the result of political and economic reasons and difficult democratic institutions (SARCS, 2006:3). Respective incident risks may involve the theft of municipal assets, such as computers, vehicles and municipal funds. Nowadays (in 2009- 2011) municipalities have

experienced a series of service delivery protests, and in this case the municipal properties being vandalized and some burnt. Emergency risk may involve organizing of temporary offices for service delivery to take place. This was witnessed during the local government elections whereby a temporary tent serving as a voting station and the municipality was required to allocate another tent so that elections process could take place.

The types of risks identified above call for responsible persons to safeguard municipal assets. The section below describes the responsible persons in the management of risk in the municipality.

3.7 RISK MANAGEMENT RESPONSIBILITY

Globally, public institutions have habitually taken a more divided move towards risk measurement and control (Cumming and Hirtle, 2001:1). Risk management process is a cyclical process; it does not have an ending phase. It should serve as an organizational culture whereby everyone contributes to the process. Municipalities should have a structure that deals with risk issues. It is indicated that everyone contributes to risk management and all project stakeholders should participate in the risk identification and analysis process with the extended project team carrying out risk management and mitigation activities (Government of UK: Strategic Partnering Taskforce, 2004: 9). The responsible person for risk management in a municipality include the Council and Municipal Manager, risk manager, Senior municipal managers, project manager and representatives from other organizations of the Strategic Service delivery Partnerships (SSPs) (Government of UK: Strategic Partnering Taskforce, 2004: 9).

3.7.1 The Municipal Council and Municipal Manager

The Council together with the Municipal Manager should maintain the municipal formal risk policy which decreases the municipality's approach to risk (Umzimkhulu Municipality, 2008:16). These functionaries receive reports from the respective

managers on risk issues and how they were solved. The Municipal Council and Municipal Manager must guarantee that the risk management systems engage on risk in an unbiased method, giving due attention to all types of risk (Umzimkhulu Municipality, 2008:16). Risk management is an integrated process and should be linked to the institutional strategic plans.

3.7.2 Risk Manager

The role of the Risk Officer is to develop, communicate, coordinate and monitor the institution's wide risk management activities within the municipality (Umzimkhulu Municipality, 2008: 20). The Risk Manager is the official who organizes the whole risk management process. The risk manager is chosen to provide and render the responsibilities mentioned below. The individual has task, answerability and influence for ensuring that the risk management progression is organized and operate successfully (Government of UK: Strategic Partnering Taskforce, 2004: 9). The respective responsibilities are performed in order to:

- ensure that risk management is considered an integral part of project management and that risk management activity is integrated within normal partnership tasks;
- develop the risk management plan;
- facilitate the identification of risks;
- process risk data to enable the risk register to be populated and updated;
- prepare risk reports for scheduled and on-going review meetings; and
- keep a record of lessons learnt (Government of UK: Strategic Partnering Taskforce, 2004: 9).

The risk manager does not work in isolation; the manger should involve other stakeholders to assist in pursuing the goals of the municipality.

3.7.3 Senior Managers

Achieving a successful risk management requires contribution from municipality's top decision makers and their well-built support for the program that is based on a reasonable thoughtful of the topic (Government of UK: Strategic Partnering Taskforce, 2004:9). The respective managers belong to specialized departments that identify and administer particular risks. However, each risk function varies in capability and how it coordinates with other risk functions. Goal and challenge of risk management are for improving this capability and coordination. They also integrate all skills in the organization to work together to minimize risk (Government of UK: Strategic Partnering Taskforce, 2004: 9).

3.7.4 Risk Management Committee

The risk management committee is responsible for dealing with the corporate governance necessities of risk management and monitoring of municipality's performance with risk management (Umzimkhulu Municipality, 2008:16). The risk management committee has to meet on at least a periodical basis to set up and monitor the execution of the risk management strategy and ensure that the responsibilities and co-ordination of risk management are clear. The committee facilitates the risk management induction; training and education programmes are targeted appropriately for all levels of personnel. Mostly they have to keep abreast of all changes to the risk management, control system and ensure that the risk profile and common understanding is updated as appropriate (Umzimkhulu Municipality, 2008:16).

3.7.5 Strategic Service delivery Partnerships

A Strategic Service delivery Partnerships (SSP) is a long-term partnership between organizations that work collaboratively to achieve the authority's strategic aims for delivering services (Government of UK: Strategic Partnering Taskforce, 2003:8). Government has implemented tactics that focus on an amplified public-private

partnerships and commercialization of selected essential services. Hence, public-private partnership has a serious necessitate working with local spheres for development of trade models that embark upon the unique state of affairs and challenges of a South African environment (Arivia.Kom Consulting, 2010).

Establishing a SSP involves risks in each of its phases. These will involve:

- Deal risk – reaching an acceptable value for money deal with a partner;
- Project risk – the transition from existing delivery methods to the SSP;
- Transition risk – continuation risks for the existing services during implementation of the partnership;
- Operational risk – the risks inherent in delivery through the SSP; and
- Reputational risks – risks that any of the above might have on customers, users, stakeholders or the marketplace (Government of UK: Strategic Partnering Taskforce, 2003:25).

3.7.6 Risk and Safety Committee

Another fundamental aspect of effective risk management is the use of the safety committee that must comprises of correct officials from the finance office, legal department and other departments. The strategies of committee member must able to identify, assess and monitor in addition, must ensure effectiveness in risk management program (McCall, 2001:5).

The committee includes individuals acknowledged as the suitable persons to manage a specific risk. The individuals must ensure:

- Assessment of the likelihood and invent tactics for the known risks
- Implementation tactics to administer risks on time;
- Constant reporting on the progress of risks
- Management of Group during risk reviews group (Government of UK: Strategic Partnering Taskforce. 2004:12).

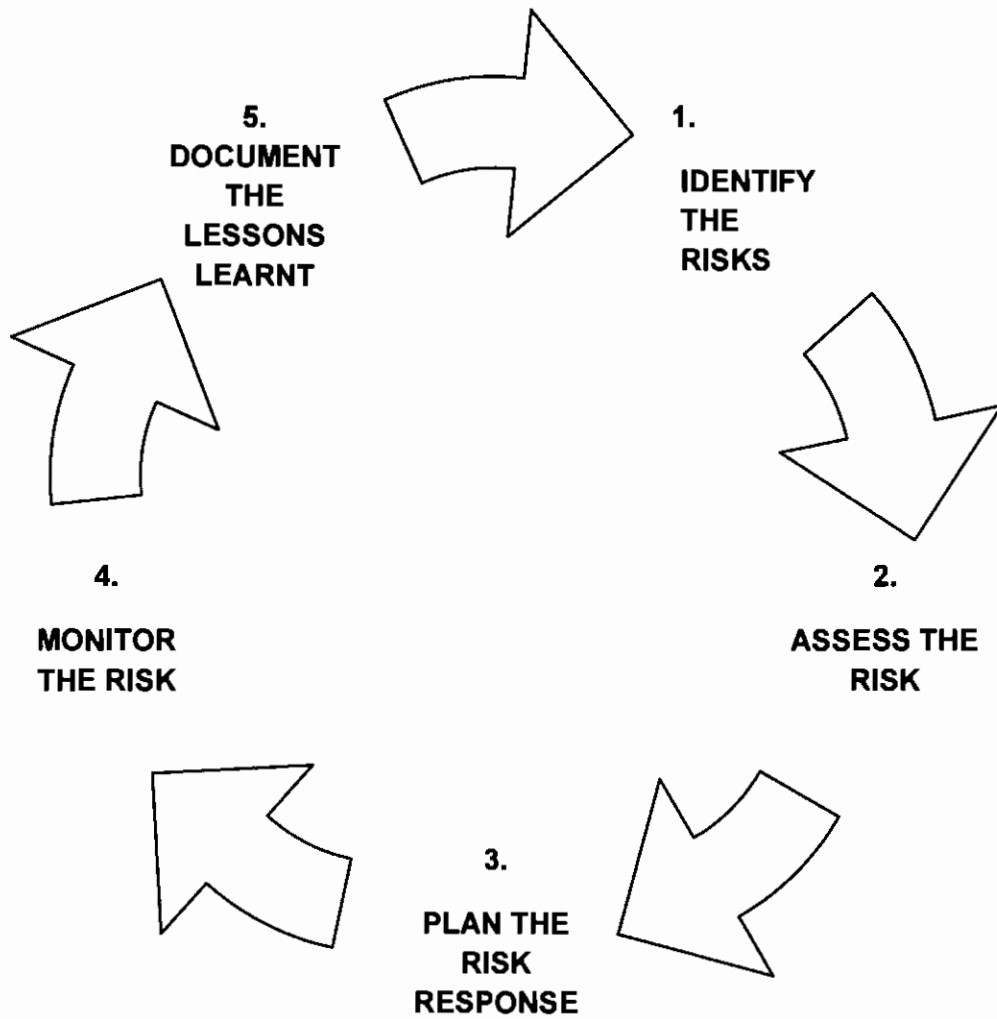
3.8 THE RISK MANAGEMENT PROCESSES

The risk management process should be applied by all stakeholders in the institution (Officers, Risk and Project Managers) and risk management process must be utilized as guidance steps needed to consider for risk (Government of UK: Strategic Partnering Taskforce. 2003: 16). Risk management process involves identification, analyses, and mitigating to risk factors that impact on a project or its objectives (Erik and Richard (2003:51). Erik and Richard (2003:51) state that risk processes are used to encompass all risk that does not fit into the institution.

Risk management consideration protects and inserts worth to prolong the organization and its stakeholders through supporting the organizations objectives by providing a structure for an organization to facilitate prospect activity to take place in a dependable and controlled manner. Before the process can be implemented, a municipality needs to establish the context of the risk associated with. This is not limited to an understanding of the existing situation where the organization operates on an interior, exterior and risk management perspective (COSO, 2004).

The risk management process comprises five stages and these are illustrated in Diagram 3.2 and are discussed below.

Diagram 3.2 Five Steps of Risk Management



Source: (Authors illustration as mentioned in the Government of UK: Strategic Partnering Taskforce, 2004:17)

Step 1: Identify the risks

The identification stage is the activity to find, list and characterise elements of risk (Government of UK: Strategic Partnering Taskforce, 2004:17). Risk identification is set out to identify an organization's exposure to uncertainty (The Institute of Risk Management (IRM), 2002:5). Identification of risks cannot commence unless a project or partnership's objectives, strategies and plans are clearly understood, documented and communicated to all relevant stakeholders. For this (risk identification) to happen all stakeholders should be knowledgeable about the operations of their institution. The operations of the institutions may include knowledge of the legal, social, political and cultural environment should be understood by all stakeholders as well as the development of a sound understanding of its strategic and operational objectives (IRM), 2002:5). Risk identification is a progressive task that needs to be done throughout the project/partnership life (Government of UK: Strategic Partnering Taskforce, 2004:17). The approach is methodological, the aim of the method is to make certain that all major actions within the association have been acknowledged and all the risks curving from these activities are defined (IRM), 2002:5).

Step 2: Assess the risk

Risk assessments search the impact of risk proceedings included on a project (Government of UK: Strategic Partnering Taskforce, 2004:18). Risk assessment can help to address risk in a broad perspective and to also improve on the well being of people (World Meteorological Organization (WMO), 2008:16). Risks are measured in terms of likelihood and consequences (Australian Government, 2006:15). Risk assessment can be qualitative, semi quantitative and quantitative assessments of the likelihood of recognized risks happening and the contact of these is measured in terms of time; cost; and performance (Government of UK: Strategic Partnering Taskforce, 2004: 18; IRM, 2002:9).

Step 3: Plan the risk response

The planning stage is the motion surrounded by the risk management progression of selecting and implementing the most proper way of commerce with the risk (Government of UK: Strategic Partnering Taskforce, 2004:22). This is not limited to the

expansion of tactics for controlling and exploits the various risks (COSO, 2004). The Government of UK: Strategic Partnering Taskforce, 2004:22) indicates that the respective risks maybe accepted, rejected, or handled differently. Risk treatment as a process serves to select and implement measures to modify the risk (Australian Government, 2006:14). In this phase, risk reducing controls are undertaken to select priority risks and recommended for the risk assessment process (Stoneburner *et al*, 2002:26).

The municipality may choose to use the following risk mitigation procedures for reducing risk. Mitigation of risk is achievable through these options:

- Risk assumption.
- Risk evasion.
- Risk restriction.
- Risk setting up.
- Investigate and recognition.
- Risk conversion (Stoneburner et al, 2002:26).

Step 4: Monitor the risk

The risk monitoring stage includes implementing, monitoring, reporting and reviewing risk management actions against objectives (Government of UK: Strategic Partnering Taskforce, 2004:25). This includes the "continual measurement and monitoring of the risk environment and the performance of the risk management strategies" (COSO, 2004). Risk monitoring and review is comprehensive, it covers all risk involved. In this stage the officer is able to verify all issues related to identifies risks. Each stage of the risk management process should be recorded appropriately (Australian Government, 2006:17) as this can enable reviewers to be able to come up with preventable measures.

Accountability and effective communication is essential towards the protection of municipal assets. The results of monitoring should be available at earliest convenience

to enable stakeholders to take action in order to rectify unacceptable conditions found during the monitoring process (Chicken, 1996:204). "Risk evaluation is used to make decisions about the significance of risks to the organization and whether each specific risk should be accepted or treated" (National Probation Service, 2004:11).

Step 5: Document lessons learnt

This may not be limited to documentation of the material intimidation to the organization's accomplishment of its objectives and the depiction of areas to the organization may exploit for competitive advantage (COSO, 2004). Lessons learnt should be documented to avoid the same mistake happening (Government of UK: Strategic Partnering Taskforce, 2004:25).

The section below identifies the challenges encountered by municipalities whereby municipalities do not have well managed risk management programmes.

3.9 COMMON CHALLENGES IN RM IMPLEMENTATION

Management of risks should be incorporated into all the actions in an organization. In the ancient times management of risk was limited and was primarily the responsibility of the risk manager to transfer suitable risks to professional insurance brokers (Geldenhyus, 2006:57). The following weaknesses can be highlighted by municipality:

- purpose and ideas of risk management are not sufficiently spoken, understood or uttered in the municipal sector;
- there are no clear articulations in written policies linking risk management to operational strategy;
- risk assessment methods are inconsistent throughout the organization and not well developed;
- the reporting on risk and risk management is inconsistent and does not assist management in understanding the impact of risk on the organization's operating performance; and

- instead of programs to enhance continuous improvement, risk management efforts often narrowly focused on internal control (Geldenhyus, 2006:57).

3.10 CONCLUSION

Local Government is an answer division of the rebuilding and growth attempt in our country. This chapter indicates that risk management practices protect municipal assets and it can enhance municipalities to provide services without interference. Well planned risk management programmes may assist municipalities to alleviate catastrophic losses that hinders on service delivery. It is also indicated in this chapter that the achievement of winning risk management program have need of participation by a municipality's top decision makers. Well-built maintenance for risk management program is a requirement for sustaining municipal resources. The democratic social order and mounting of financial system can only be realized during an approachable, responsible, useful and well-organized local government system aimed at addressing the mandate of the developmental local government (Department of Cooperative Governance & Traditional Affairs, 2009:3).

Risk management provides an overview of strategies and frameworks of how to address the profound risks associated with asset management. This chapter discussed the overview of risk that can be incorporated by municipalities like Nketoane Local Municipality. The success of the risk management as instrument for asset protection depends on effectiveness of financial, physical, organizational, customer and employee assets. Furthermore this chapter revealed that there is lot of work that needs to be done to protect municipal assets. The next chapter will discuss the empirical study on the impact of risk management as an instrument to protect and enhance assets at NLM.

CHAPTER 4

EMPIRICAL STUDY ON THE IMPACT OF RISK MANAGEMENT AS AN INSTRUMENT TO PROTECT AND ENHANCE ASSETS AT NLM

4.1 INTRODUCTION

The previous chapter explored various risks that exist within the units of Nketoane Local Municipality (NLM) and risks that exist at those communities. This chapter will take a look at the research methods used to collect data of this study. Research methods used to conduct the study are: the literature review, interviews and questionnaires. The outcomes of the empirical survey undertaken are also addressed in this chapter.

4.2 LITERATURE REVIEW

Review of literature is a vital review and evaluation of the present status of facts or existing status of the art in a particular field. Literature review involves the study of books, journals, the internet, articles, legislative framework and the database of theses and dissertations from tertiary institutions that have dealt with risk management and assets protection. All these study materials helped in building and getting a clear picture on the impacts of risks with regard to asset management.

4.3 DATA COLLECTION METHODS

The methods used to conduct this study material will be discussed below.

4.3.1 Qualitative and quantitative method

The sections below will discuss the usage of qualitative and quantitative methods.

Qualitative method

A Dictionary of Nursing (2008) defines "qualitative research" as a method is a study that looks to offer thoughtful of human understanding, perceptions, motivations, intentions and behaviours based on description and observation and utilizing a naturalistic interpretative approach to a subject and its contextual setting. Denzin and Lincoln (1994) add that qualitative research is "multi-method in focus, involving an interpretive, naturalistic approach to its subject matter". Which means that qualitative researchers learn things in their normal location try to create logic and interpret the life experiences? Qualitative research involves the deliberate exercise and compilation of a diversity of experimental resources case study, individual skill, thoughtful, life fairy-tale interview, observational, chronological, interactional, and image texts-that describe routine and challenging moments and sense in persons lives (Denzin and Lincoln, 1994).

Quantitative research method

A Dictionary of Nursing (2008) state that "quantitative research method is based on customary technical methods, that normally produce mathematical data and typically seeks to create fundamental relationships between two or additional variables". This method use statistical methods to test the strong point and implication of the relationships" (A Dictionary of Nursing, 2008). The development of dimension in this lesson is essential to quantitative research since it provides the primary link among experimental surveillance and numerical appearance of quantitative relationships.

4.3.2 Interviews

Interviews are brilliant apparatus to use in preparation and evaluating expansion plans. It is also an unrestricted finding oriented technique that is well-matched for unfolding both program processes and conclusions from the viewpoint of the target viewers or key stakeholder (Lisa, 2001). The interviews were conducted during November 2010 during the course of the week, between 10h00 and 15h00. Two types of interviews were conducted which were the face to face interview and group interview. These interviews are discussed below.

4.3.2.1 Face to face interviews

Face to face interviews involved the community members and officials responsible for risk management and assets protection and community at large. The participants answered the pre-set questions as administered by the researcher. Face to face interviews took place to allow clarity and follow ups where necessary. Some interviewees were only requested to fill in the questionnaires or asked the questions as stated at the questionnaires and language translation was used since English was the matter to some community members.

The interviews were conducted within the NLM around four small towns which are Petrus Styen, Lindley, Arlington and Reitz that form the municipality. The interviews were addressed through predetermined questionnaires. The respondents were interviewed personally at face to face interviews.

4.3.2.2 Group interviews

Group interviews were used for some community members who were not willing to answer questions as individuals. Participants felt comfortable to answer the questions in large groups. Group interviews are conducted to bring security and assurance among the sample group.

4.3.3 Questionnaires

Anon, (2010) states that a questionnaire is a list of printed questions concluded in one of two fundamental customs: Firstly, respondents may complete the questionnaire in the absence of researcher. Secondly, respondents may complete the questionnaire orally, responding to questions in the presence of the researcher. Questionnaires were confined to two basic kinds of question which normally are closed ended and open ended. The questionnaires consisted of ten minutes long interviews addressing the following;

- Municipal ability to protect asset against possibly risk.
- Risk arising within the community and need municipal response.
- Effectiveness of municipality in terms of risks.
- Adhering of municipality in terms of legislations and policies from national sphere.
- Community participation in regard to risks.

The responses and dissatisfaction were different from town to town. The challenges were also different from town to town judging from the responses of the community members. Community members felt that fair treatment or equal service and development are not addressed equally among these four towns.

4.3.4 Participant Observation

Family Health international (FHI, 2010:14) states that “participant surveillance is a qualitative method with roots in customary ethnographic research, whose objective is to help researchers learn the viewpoints held by study populations”. Data obtained through member surveillance serve to verify against participants’ biased reporting of what they consider and do (FHI, 2010:14). Participant observation enables the researcher to associate with the respondents and to form part of the study. The researcher of this study formed part of the of the NLM community (participants) in Petrus Steyn, Reitz, Arlington and Lindley.

4.3.5 Sampling

Sampling is that “part of numerical practice concerned with the selection of a subset of individuals within a population of individuals planned to give way some data about the population of concern, especially for the purposes of making predictions based on statistical inference. Sampling is a vital facet of information collection” (Wales. 2009).

In addition the step to follow will be the selection of the sample of the population among four towns. Three groups of the participants were interviewed, which is:

- the community members exposed or were once victims of risks;
- municipal official who addresses risks;
- community members who seems not to have been exposed to risks; and
- municipal employees.

Sample size

Respondent from four small towns that constitute Nketoane Municipality were interviewed which are Petrus Steyn, Reitz, Lindley and Arlington. Twenty questionnaires were disseminated at each of these towns to collect essential data for this study material.

4.4 Reporting

This is the stage of reporting the outcomes and brings conclusions in regard to final stage of the research process. The results can also provide sufficient information for a possible solution of the study material. A research report should add value to the field of study that a researcher is pursuing. It should recommend solutions, enhance existing processes and procedures or simply create new perspectives on the subject matter.

4.5 ETHICS IN RESEARCH

According to Resnik (2010) when most people imagine of beliefs (or morals), they think of regulations for distinguishing between right and wrong. The conduct of research activities should be morally acceptable. The following section describes the Codes and Policies for Research Ethics.

- *Honesty*. Investigator must attempt for integrity in all technical interactions since honesty report facts, consequences, technique and measures, and publication status and does not make, falsify, or fake data.

- *Impartiality*: Investigators must attempt to keep away from prejudice in investigational design, information analysis, and information interpretation, take in review, personnel decisions, grant writing, specialist proof, and other aspects of research where impartiality is expected or required. Keep away from or reduce bias or self-deception hence disclosing of personal or financial interests that may shape research.
- *Caution*: Avoidance of carelessness or errors and casualness; cautiously and seriously inspect your own job and the work of your peers. Keeping high-quality records for study activities, such as information compilation, study plan, and mail with agencies or journals.
- *Sincerity*: Share information, consequences, thoughts, apparatus, and resources.
- *Discretion*: Protect secret communications, such grants submitted for publication, personnel report, business or martial secrets, and patient records.
- *Public Responsibility*: attempt to support public good and check or mitigate societal harms through research, public education, and advocacy.
- *Non-Discrimination*: Avoidance of discrimination based on sexual category, race, civilization, or other factors that are not connected to their technical competency and integrity.
- *Individual Subjects Protection*: research on individual subjects must reduce the harm, risks and exploit benefits; value individual dignity, time alone, and self-sufficiency; take singular safety measures with susceptible populations; and attempt to give out the benefits and load of research moderately.
- *Capability*: keep up and progress your own expert competence and knowledge through permanent teaching and wisdom; take ladder to support skill in science as a whole.
- *Value for social group*: value your social group and take care of them moderately.
- *Validity*: recognize and follow applicable rules and institutional and governmental policies (Resnik, 2010).

4.6 DATA ANALYSIS

The research was conducted in four small towns that constitute Nketoane Local Municipality. The research questions were used to collect the necessary information.

The collected data was gathered from the following participants of NLM:

- community members exposed or were once victims of risks;
- municipal officials who addresses risks;
- community members who seems not been exposed to risks; and
- municipal employees

The questionnaires consisted of both open ended and closed questions regarding the risks that exist or might exist and demolish municipal assets or community assets at large. The questionnaires were distributed as follows:

Table 4.1 Distribution of questionnaires

COMMUNITY QUESTIONNAIRE			
TOWNS	DISTRIBUTED QUESTIONNAIRES	RECEIVED QUESTIONNAIRES	MISSING CASES
Petrus Steyn	20	14	6
Reitz	20	17	3
Lindley	20	13	7
Arlington	20	14	6
TOTAL	80	58	22
INSTITUTIONAL QUESTIONNAIRES			
NLM (institutional and staff)	12	10	2

The respondents were selected out of the entire community and answered the questions in the questionnaire. A total of 80 questionnaires were distributed and 58 were received back. All these four towns were given the same questionnaires to complete and different gender, age groups, race and years residing in a community

were taken in to consideration for accurate finding of the research. All the questionnaires were handled with confidentiality and privacy.

4.6.1 QUESTIONNAIRE FOR COMMUNITY MEMBERS

Demographic information

Demographic information of all the respondents of four towns include gender, age, name (optional), and race and years residing in the community.

Table 4.2 Characteristics of respondents (N=58)

VALUE LABEL	Petrus Steyn	Reitz	Lindley	Arlington	FREQUENCY (V)	Percentage (%)
GENDER						
Male	7	8	7	7	29	36 %
Female	7	9	6	7	29	36 %
RACE						
Black	13	15	11	14	53	66 %
White	0	1	1	0	2	25%
Indian	1	1	1	0	3	25%
Coloured	0	0	0	0	0	0%
AGE GROUPS						
18-25	4	4	5	6	19	24 %
25-35	3	5	2	4	14	18%
35-45	3	3	2	1	9	11%
45-55	3	2	2	1	8	1%
55+	1	3	2	2	8	1%
CATEGORY						
Youth	7	9	7	10	30	41%
Elderly	7	8	6	4	25	31%

Participation of community members in terms of age groups, race and gender differ from one town to another. The complaints of the community as well differ in relation to their age groups and town or location where the respondent is residing.

Q. Communities were asked to indicate the number of years that they resided in a respective community.

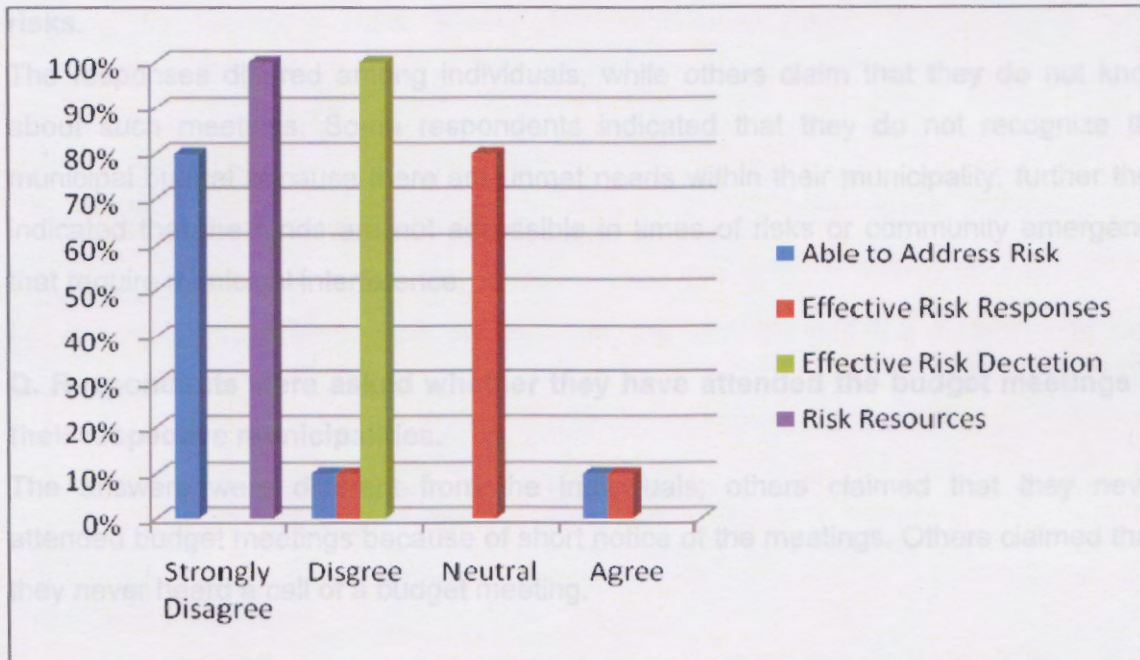
Answers were different according to towns.

- Petrus Steyn indicated 12 years upwards.
- Reitz indicated 16 years upwards.
- Arlington indicated 10 years upwards.
- Lindley indicated 12 years upwards.

Q. Communities were asked about municipal capability in terms of the addressing risk.

Answers provided below are stated in terms of maturity of the respondents of each town. The respondents (80%) strongly disagree, 10% disagreed and 10% agreed that the Municipality informs community about possible risk in time. The Municipality reacts effectively for any complain towards risks. In this case 80% of the respondents were neutral, 10% disagreed and 10% agreed that all assets (e.g. vehicle and finance) within municipality are fully secured against possible risk(s). 100% of the respondents disagreed that Risk(s) can be detected in time within the Municipality. 100% of the respondents *Strongly disagree* that the municipality has necessary resources to address community risk(s) e.g. fire rescue. 100% of the respondents indicated that community risk(s) are addressed without inclination or influence to political motives. *100% of the respondents were neutral about the assets and infrastructure within the community is fully secured.*

Graph 1 Municipal ability to address risk



Q. Communities were asked to indicate whether the municipality is also exposed to which risks.

Fifty percent (50%) of the respondents agreed that risk of incompetent employees exist in NLM; while the other 50% replied that they do not view employees as incompetent. 100% of the respondents indicated that there is risk regarding misuse of funds. The item on risk of misuse of equipment/cars was rated 50% towards risks identified, whereby the other 50% views that there is no risks on the usage of municipal equipment. 100% of the respondents indicated that there are risks pertaining to poor security on municipal properties

Q. Respondents were asked whether NLM towns get equal opportunities or not.

The answer was one from respondents of these towns. Equal treatment is not known at all but it seems Petrus Steyn and Lindley receives the preference according to respondents and dissatisfactions among these four towns.

Q. Respondents were asked if they were aware of municipal budget towards risks.

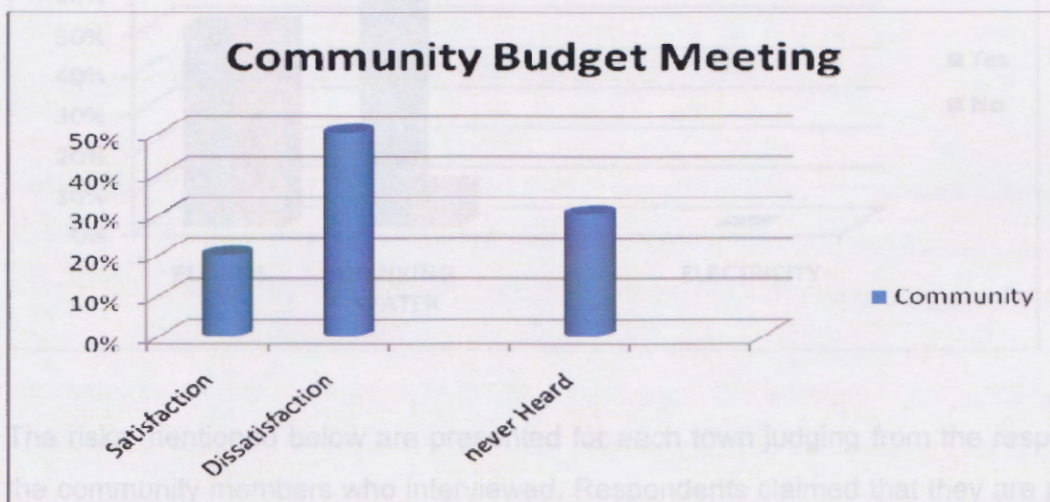
The responses differed among individuals, while others claim that they do not know about such meetings. Some respondents indicated that they do not recognize the municipal budget because there are unmet needs within their municipality, further they indicated that the funds are not accessible in times of risks or community emergency that require municipal interference.

Q. Respondents were asked whether they have attended the budget meetings in their respective municipalities.

The answers were different from the individuals; others claimed that they never attended budget meetings because of short notice of the meetings. Others claimed that, they never heard a call of a budget meeting.

Q. Respondents were asked whether they were satisfied with the meeting schedules for budget information.

Graph 2 Community Budget Meeting



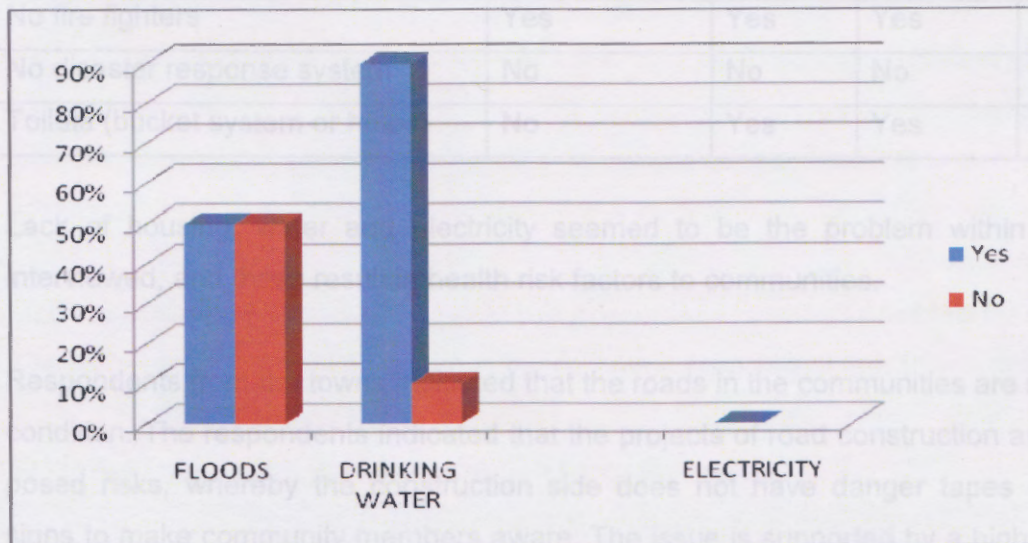
Fifty percent (50%) of the respondents said they were not satisfied with schedules of the meeting because they are always left with unanswered question that need accountability of the council. Twenty percent (20%) added that they are satisfied with the schedules of the meeting and accountability of the council in time of crisis. Thirty percent (30%) was with opinion that they have not heard of the budget meeting and wondered how they can be satisfied with something like that.

Q. Respondents were asked to indicate the risk(s) that the community may currently face.

Risks were rated differently by respondents.

- Floods, 50% said yes, whereby 50% replied no.
- No drinking water: 90% replied yes, whereby 10% replied no.
- No electricity

Graph 3 Municipal risk



The risks mentioned below are presented for each town judging from the responses of the community members who interviewed. Respondents claimed that they are placed in risky areas which are exposed to floods when it rains. Their furniture cannot last due to rain water that is hard to combat. Some complaints related to risk are difficult to resolve

since some community members reside in illegal settlements, especially those resulting from the floods and rainy seasons. Complaints of floods are raised by respondents of Reitz and Arlington.

Table 4.3 Community Risks per Town

RISK	Petrus Steyn	Reitz	Arlington	Lindley
Funds misuse	Yes	Yes	Yes	Yes
Incompetent employees	No	Yes	Yes	no
Unprotected municipal properties	Yes	Yes	No	no
Floods	No	Yes	Yes	No
No drinking water	Sometimes	Yes	Yes	Yes
No electricity	No	Yes	Yes	Yes
No street lights	No	No	No	No
Bad roads	Yes	Yes	No	No
No ambulance	Yes	Yes	Yes	Yes
No fire fighters	Yes	Yes	Yes	Yes
No disaster response system	No	No	No	No
Toilets (bucket system or holes)	No	Yes	Yes	Yes

Lack of housing, water and electricity seemed to be the problem within the areas interviewed, and these result in health risk factors to communities.

Respondents from the towns indicated that the roads in the communities are not in good condition. The respondents indicated that the projects of road construction and paving, posed risks, whereby the construction side does not have danger tapes or warning signs to make community members aware. The issue is supported by a high number of accidents caused by cars at night, because the signs are invisible. The lack of sustained roads has an impact on medical response teams, whereby emergency vehicles struggle to access the intended destinations. Such roads also pose a risk to municipal assets, whereby such assets should be maintained continuously. Some assets are broken and

it takes time and cost to repair assets repeatedly. The research revealed that the unavailability of municipal assets impact on communities, they are required to fund for emergency vehicles, which will carry their families to the health facilities. It was indicated that the respondents spend R300 towards hiring a private vehicle.

A heartfelt response from the respondents indicated that, they are not aware of the services for fire rescue services or disaster management policy and program. One of the respondents said that her house was burnt down by fire. There is a lack of water supply; as a result bystanders were unable to save her belongings. Emergency response was delayed. The incidence took place August 2010; currently she is awaiting responses from the council to offer assistance.

Q. Respondents were asked what could be done to improve municipal assets and community protection against any risk.

Their responses were based on Batho Pele Principles even though were rephrased little bit different from one individual to another. They indicated that they have lost interest in the upcoming elections, since their needs are not met. They indicated that effective and sustainable measures should be enforced towards service delivery. Respondents are with the idea that those who jeopardize municipal assets should be disciplined badly without a mercy to anyone.

Q. Respondents were asked to rate the population (gender) affected by risk.

The table below will depict outcomes based on the founding of four towns of NLM.

Table 4.4 Population (gender) affected by risk

	Petrus Styen	Reitz	Arlington	Lindley
Male	25%	23%	30%	33%
Female	75%	77%	70%	67%
Age	All ages	All ages	All ages	All ages

The respondents indicated that risk affects all parts of community, although the female category was regarded to be the most affected, when it comes to risks.

Q. Respondents were asked which area within their community is exposed to risk and why.

The response below indicates the areas exposed to risk in NLM. In Petrus Steyn, the Local Library was seen as a risk area; whereas in Arlington, the Movhanko section was also seen as a risk area. In terms of Rietz, the Thabeng Section and the new camps in Lindley were also identified as risk areas in NLM.

The reason for the respondents to select these areas is because they do not have access to drinking water, they are exposed to floods risk, electricity is not installed, roads are badly designed and they struggle to get emergency help like ambulance and fire rescue.

Q. Respondents were asked to indicate if there is anything that needs attention with regard to risk and asset protection that is not asked in the questionnaire.

The responses were largely based on what is asked on the questionnaires. Respondents believed that the capacitation of personnel in municipality may reduce risks on municipal assets. The projects in the community should be completed in time since they put lives of the community in large by leaving holes with no warning signs. Street lights and electricity should be maintained properly.

4.6.2 INSTITUTIONAL QUESTIONNAIRES

Question 1

Demographic information

This section addressed demographic information of the municipal employees. Four males and four females respondents aged from twenty-five to fifty years were

interviewed. The respondents indicated that they have been in the employment for more than five years at NLM.

Question 2

Organizational Culture and Support

This section was concerned on organizational culture and support in NLM. The intention was to inquire about the importance of risk management within the municipality for assets protection.

It was discovered that the municipality does not have structured documents for risk management, they reported that currently they use draft documents to implement the mandate to benefit all staff and to protect municipal assets. A closed link between strategic objectives and management of risks for assets protection is developed but the effectiveness is not satisfactory. The NLM reported that training is provided to staff on risk management and the overall culture of municipality tends to reflect a risk taking attitude.

Question 3

Risk Management Policy

This section intended to obtain information on policy for risk management and assets management including how the policy is disseminated throughout the NLM.

During the interviews (in 2010-2011), the NLM indicated that they were on the development stage for approving their risk policy. They indicated that the developed policy will enable the municipality to meet standard and regulations set by government dealing with risk management. The information in regard to risk is accessible through meetings or conferences. Since the NLM is in the development stage to approve their

risk policy, the working documents serve as draft documents and it is disseminated internally and externally.

Question 4

Municipal Objectives

This section dealt with the objectives of the municipality and the context in which risk management operates on assets protection.

It was discovered that some of the staff members did not understand the aims and objectives of the municipality as linked to their job descriptions. The lack of understanding, maybe, is associated with the current developmental stage of the risk policy. Further, the lack of understanding, maybe, is through lack of interest by employees to acquire knowledge on risk management. The staff members indicated that the risk management is integrated in planning and projects processes. In pursuing its objectives, the NLM viewed the existence of risk management as an opportunity whereby municipal assets may be protected from internal and external threats.

Question 5

Risk Identification

This section aimed to obtain information of how NLM identifies the risks it faces to protect assets.

The NLM indicated that they consider the environmental risk, opportunity risks (risk of the missing opportunities to improve on delivery of the municipal objective) and financial risk (of not having sufficient funds to complete the project) as threats to them. These types of risk may hamper service delivery and at the end of the day they may jeopardize the municipal assets as they are exposed to external factors. On the side, municipality identified risk in terms of what can happen, how and why risks arise (human error or fraud). Above that, municipality does have risk register but risk communication strategy is not yet been approved.

Question 6

Risk Analysis, Evaluation and Treatment

This section aimed to obtain information on the scope and responsibility for risk analysis, evaluation and treatment in the NLM.

The NLM indicated that risks within the municipality are analyzed in terms of the likelihood and impact, but it does not mean that consequences and financial impacts are ignored. The municipality also indicated that they give priority to the likelihood first. According to the respondents municipality does not have risk recovery plan for information technology but it does have risk management plan for asset protection. Lastly municipality tends to consider risk management review over next one to two years.

Question 7

Risk Monitoring and Review

This section dealt with information on how municipality monitors, reviews and reports on risks.

The NLM responded that the senior managers are responsible for review and monitoring of risk management. Monitoring is typically performed by management as part of its internal control activities, such as review of analytical reports or management committee meetings with relevant experts, to understand how the risk response strategy is working and whether the objectives are being achieved (COSO, 2004).

Due to the development stage and the intergovernmental relations within NLM, Internal Auditor office is responsible for the managing risk management activities in the NLM. The reviews and monitoring are undertaken after completion of the projects usually after a year. According to the respondents the municipality has key indicators which enable them to routinely monitor the level of risk and application of the risk treatment measures. This is managed during the Annual Audit Plan, Service Delivery Budget and implementation as the key performance indicators. The Internal Auditor was asked

whether the recent Annual Report of the municipality includes a description of risk faced by municipality or description of risk management by municipality. The respondent reported that, in terms of Chapter 12 of MFMA Act 56 of 2003, the annual report should not include risks of the municipality.

4.7 CONCLUSION

Well maintained strategies to prevent risk and assets in NLM are a requirement. This chapter clearly discussed the research methods used in this study material. It reported on the risk matters that community of NLM and NLM faces currently towards municipal assets. The next chapter will provide the findings of the empirical research conducted, proposed recommendations, as well as a conclusion to the study.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The study assessed risk management at NLM as an instrument for asset protection and indicated challenges experienced by municipal communities. The study demonstrated that the municipality has not been successful in addressing risks with regard to asset and community. This chapter provides a summary of the chapters dealt with in this study and will conclude with the key findings of the study, recommendations, as well as an identification of potential areas that necessitate further research.

5.2 SUMMARY

The summary of the previous chapters is discussed in the sections below.

5.2.1 The overall aim of the study

The aim of this study was to analyse whether risk management can serve as an instrument to protect assets at NLM. The study was made up of four objectives, as outlined below.

The first objective of the study was to provide a theoretical exposition of the concepts risk management and asset protection. The definition of the concepts was clearly explained in chapter two and chapter three to as well as the linkage between these concepts.

The second objective was to provide an overview of the criteria employed to establish and develop risk management at NLM. This was addressed in chapter three where

overview of the criteria employed to establish and develop risk management practice was discussed.

The third objective of this study was to explore whether risk management can serve as an instrument to protect asset in NLM. The information accumulated in chapter four through the use of questionnaire indicates that management of risk can serve as an instrument of asset protection. The analysis of responses was done and summarized in chapter four.

The fourth objective of the study was to provide a set of recommendations for successful implementation of risk management as instrument to protect assets at NLM. This will be done in this chapter.

5.2.2 Summary of Chapters

The following paragraphs will provide a summary for the preceding chapters.

Chapter one

Chapter one, the introductory chapter identified the essence of the study on risk management and assets protection. The chapter also introduced the problem statement and orientated the reader on the study area focusing on research questions, objectives, hypothesis, research methods and chapter outlines. Risk management as an instrument for protection of various assets within municipality will serve as the compass to ensure a proper security of assets.

Chapter two

The second chapter addressed the theoretical clarification of the concepts risk management and assets protection at municipalities in South Africa. It also described various kinds of assets that need municipal protection to ensure effective and acceptable combat of risks. The importance of asset management for municipal development and challenges facing asset management are also addressed in this

chapter. The past experienced has demonstrated the need to view and take a proper care of all kinds of municipal assets.

Chapter two also discussed the primary goals and objectives of various assets and the need for safeguarding maintaining the possessed assets within the municipalities. It clarified that all categories of assets in a municipality are important and they should be managed in all life cycle for assets (proper planning phase, acquisition phase, operations and maintenance phase). Legal and administrative framework on public assets should serve as a strategic approach asset management. It indicated that responsibilities of local government are to address assets constraints and bring solutions that will not compromise or misuse assets that will be needed in the future.

Chapter three

Chapter three discussed an overview of strategies to establish and develop risk management function at NLM. This chapter firstly explained kinds of risk and risk management frameworks within the municipality that needed guidelines of responsibility of role players. Community approaches towards risk is taken into consideration to ensure public participation when it comes to risk management process which include risk assessment, analysis, identification, description, estimation and evaluation. This chapter also dealt with mitigation of risk, strengths and weakness in the risk management. These processes are key to effective risk management in that they are enablers which, if effectively and efficiently applied can also ensure that risks within the municipality and communities sustainably addressed.

Chapter four

This chapter addressed the research methods used to obtain data and the results of the data gathered through an empirical study. Various steps of the research process were explained and their application in this chapter was supported by the accumulated data. The questionnaires were used to accumulate data and were disseminated to community members of Reitz, Petrus Steyn, Arlington and Lindley, also a separate questionnaire

was used to gather information from role player in risk management at Nketoane Local Municipality.

Chapter five

This chapter focuses on the summary, conclusion, findings and recommendations on the presiding chapters. The chapter provides the recommendation for sustained risk management and asset protection at NLM.

5.3 RESEARCH FINDINGS

The study revealed that risk management can serve as an instrument to protect assets in NLM. The study resulted in the following findings:

- The NLM's risk management strategy is still on its developmental stage.

Findings at Reitz:

- Equal services and development are not rendered at the same level among all sections on community.
- Streets of Thabeng (new camps) need to be properly constructed for car to move around properly.
- Electricity and street lights are not in place at Thabeng section (new camps).
- Bucket systems and excavated holes for toilets are still used whereby bucket systems sometimes are not collected by municipal employees. Community members tend to deposit those buckets anywhere in location.
- Drinking water is not accessible easily to some community members.
- Projects for development do not place danger tapes or warning signs for awareness of the community.
- Municipality funds are lost without any trace.
- Community are placing themselves in dangerous place because stands are not released by municipality

- Municipality do not assist in time of disaster like when a house is burnt or destroyed by fire.

Findings from Lindley

- Equal services and development are not rendered at the same level among all sections.
- Ambulance and fire rescue are not available.
- People are exposed to floods because they residing near the river.
- Council do not inform community about the budget.
- paving project leaves community in dangerous holes with no warning signs.
- Cracking RDP house because of a tender given to inexperience construction.
- Property and cars of the municipality are exposed to risk caused by irresponsible employees.
- Tenders are given to one construction all the time.

Findings from Petrus Steyn

- Paving project does not have necessary warning signs to reflect at night.
- Municipal officials use equipment and funds for their own purpose not for community.
- Sewerage system is built but is not functioning properly since it gets blocked every single day since it was constructed.
- The roads are slippery during rainfall.
- Street lights are not installed to all sections in the location and this increases crime rate.
- Unfenced rivers are closed to community and children are becoming the victims of drowning in the river.
- Local clinic is not helpful in serous emergency times.
- Ambulance and fire rescue are not available to help community in time.

Findings from Arlington

- Municipal employees are incompetent or respond late when they are needed for instance to fix leaking water.
- Community is exposed to defective drinking water.
- Municipality built holes toilets because of defective water system and people were promised that toilets will be emptied regularly but no one is available to empty them and people get sick.
- Built RDP houses are cracking and electricity is not accessible to some community members.
- People are afraid of the river near the location that normally overflows when it rains.

5.4 TESTING THE HYPOTHESIS

The hypothesis for this study is of the opinion that *“a proper asset protection plan can function to protect municipal assets whereby a meaningful monetary and asset control can assist to cut stealing, deception and misuse at NLM”*. Findings from both literature review and empirical research support the stated preliminary statement. Indeed risk management can serve as a management practice. Effective risk management procedures around emergency preparedness are a significant solution to protect asset in NLM.

5.5 RECOMMENDATIONS

Originating from the findings of this study, and the challenges identified during the observation undertaken in NLM, the following recommendations were identified:

- Fair and equal opportunity should be rendered in four towns of Nketoane when they address risk or ensure development of community since community of less risks and good infrastructure attract investors;
- Consultation with the community members must take place quarterly with the community for risk that might emerge and budget meeting for transparency or

emergency helpline for community in municipal offices must be development and be accessible;

- Each town of Nketoane Local Municipality should have its own ambulance since December and Easter time are the period when people suffer a lot when they need help in time;
- Project for development of the community must ensure safety of the community by placing warning signs where community are exposed to danger;
- New camps without approval of municipality should not be allowed to stay there for two years since they put their lives in danger of crime, inaccessibility of the basic services and development;
- Funds for municipality must be fully secured and used to address the needs of the community that need municipal intervention;
- Community members residing near the river and exposed to floods should be relocated to avoid loss of lives;

5.6 CONCLUSION

Risk is a crucial part within the municipality, too much risk can slow service delivery and it is fatal to communities. The municipality must always be on the look-out towards the protection of the assets. Public participation in all government practices is crucial, since the process plays a major role in mitigating risks and ensuring asset management procedures. The study provided the importance of risk management in the protection of assets.

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Appendix A

QUESTIONNAIRE FOR COMMUNITY MEMBERS

QUESTIONNAIRE NR..... INTERVIEW DATE

STUDENT NAME: Mr. I.R. Mofokeng,
North West University (Vaal Triangle Campus)

SECTION A

Please tick (X) your answer(s) below.

DEMOGRAPHIC DATA

LOCATION AND TOWN	
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GENDER	MALE		FEMALE	
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RACE	BLACK	WHITE	INDIAN	COLOURED
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AGE	18-25	25-35	35-45	45-55	55+
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Years residing at the community	<5yrs	5-8yrs	8-12yrs	12-16yrs	16yrs+
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QUESTIONS	1	2	3	4	5
1. Municipality informs community about any possible risk(s) in time?					
2. The Municipality reacts effectively for any complain towards risks?					
3. All assets (e.g. vehicle and finance) within municipality are fully secured against possible risk(s)?					
4. Risk(s) can be detected in time within the Municipality?					
5. The municipality has necessary resources to address community risk(s) e.g. fire rescue?					
6. Community risk(s) are addressed without inclination or influence to political motives.					
7. Assets and infrastructure within the community are fully secured					

Strongly Disagree= 1 Disagree=2 Neutral=3 Agree=4 Strongly Agree =5

8. Do the following municipalities have an established Risk Management programme(s) to be implemented in future?

Reitz Municipality	YES	NO
Arlington Municipality	YES	NO
Petrus Steyn Municipality	YES	NO
Lindley municipality	YES	NO

9. Your Local Municipality (e.g. Lindley municipality) is exposed to which of the following risk(s)? You can tick more than one

Risk of incompetent employees	
Risk regarding misuse of funds	
Risk regarding misuse of equipment/car	
Risk of bad security measure in municipal properties	

Other specify in a provided space below

10. NKETOANE LOCAL MUNICIPALITY is exposed to which of the following risk(s)?

You can tick more than one

Risk of incompetent employees
Risk of misuse of funds
Risk misuse of equipment/car
Risk of bad security measure in municipal properties

Other specify in a provided space below

11. Do the above mentioned municipalities get equal opportunities in response to community risk(s)? **NO / YES**

12. Are you aware of the municipal budget towards risk? **YES / NO**

13. Have you attended the budget meeting in your local municipality organized by the municipal council? **YES / NO**

14. Are you satisfied with the meeting schedules for budget information? **YES / NO**

15. Which risk(s) the community at large might currently face e.g. floods? You may list all possible risk(s) below.

16. What can be done to improve municipal assets and community protection against any risk?

17. What is your best estimation of the total population that could be affected seriously by risk?

18. Which areas in a community are exposed to risk and need attention? Please specify a reason if necessary.

19. If there is anything that need attention in regard to risk and asset protection, you can add it in a provided space below.

THANK YOU FOR MAKING TIME TO PARTICIPATE IN THIS RESEARCH STUDY, IT IS HIGHLY APPRECIATED

APPENDIX B

INSTITUTIONAL QUESTIONNAIRE

1. SECTION A: DEMOGRAPHIC INFORMATION

The following demographic information is necessary for statistical purposes, to summarize the finding and conclusions of the study in a proper manner and reflects the opinions of all participating stakeholders.

DEPARTMENT/OCCUPATION	
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GENDER:	Male		Female	
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AGE:	18-35		36-50		51	
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Years of service in the municipality	<3yrs	3-5yrs	6-10yrs	11-15yrs	16yrs+
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2. SECTION B: ORGANISATIONAL CULTURE AND SUPPORT QUESTIONS

This section seeks information about the importance of risk management to the municipality for protection of asset.

	Not at All Significant				
To what degree does manicipality developed a close link between its strategic objectives and management of risks for asset protection	1	2	3	4	5
Management has documented its attitude on risk management for the benefit of all staff	1	2	3	4	5
Is Municipality able to allocate appropriate resources in support of risk management policy and practice.	1	2	3	4	5
Has training been provided by Municipality on: risk, risk	1	2	3	4	5

policy, procedures and practices, risk taking.					
To what degree does the Municipality recognise the need for technical risk management skills for asset protection?	1	2	3	4	5
Overall, does the culture of the Municipality tend to reflect a risk taking or risk averse attitude	1	2	3	4	5

3. RISK MANAGEMENT POLICY

This section seeks information about policy for risk management and asset management, how the policy is disseminated throughout your municipality.

4.1 Does municipality have a documented risk management policy? YES
or NO

How is the policy disseminated throughout the municipality [by]:	Internally	External Stakeholders
Distribution of the document evidencing the policy	1	1
Placing the policy on the intranet/web site	2	2
Meetings, conferences, briefings etc	3	3
Training courses	4	4
Newsletters, circulars etc	5	5
The Annual Report	6	6
Performance agreements/management system	7	8
Other? (please specify below)		

4. MUNICIPAL OBJECTIVES

This section deals with: the objectives of the municipality, and the context in which risk management operates on asset protection.

The aims and objectives of municipality are contained in a documented statement and communicated to management and staff.	1	2	3	4	5
Staff understand how the aims and objectives of the municipality link to their personal [work related] objectives.	1	2	3	4	5
The municipality supports innovation to achieve objectives within municipality.	1	2	3	4	5
Risk management is integrated into the following processes in municipality:					
PLANNING	1	2	3	4	5
Corporate/strategic [the relationship of the municipality to its environment e.g. strengths, weaknesses, opportunities, and threats analysis]					
annually	1	2	3	4	5
projects	1	2	3	4	5
BUDGETING					
Annual	1	2	3	4	5
Municipal Unit	1	2	3	4	5

Strongly Disagree= 1 Disagree=2 Neutral=3 Agree=4 Strongly Agree =5

In pursuing its objectives, municipality views risk as:	YES	NO
➤ A threat?	1	2
➤ An opportunity?	1	2
➤ Other? (please specify below)	1	2

5. RISK IDENTIFICATION

This section asks questions about how municipality identifies the risks it faces to protect assets.

In identifying risks for assets protection, does municipality consider the following sources of risk?

STRATEGIC	Circle all that apply
Political issues?	1
Environmental risk?	2
Opportunity risks [the risk of missing opportunities to improve on delivery of the municipal's objectives]?	3
Alliance risk [the risk associated with working with partnering municipalities]?	4
OPERATIONAL [risks associated with delivery of services]	
Financial risk [risks arising from spending on capital projects, fraud]?	5
Compliance risk [the risk of failing to meet government standards/laws and regulations e.g.]?	6
Natural hazard risks e.g. floods?	7
Human risks [strike by employees, loss of key personnel]?	8
Security risks [premises/computer breaches]?	

Does your municipality identify risks in terms of:	Yes	No
What can happen?		
How and why risks arise?		
The source of the risk?		
Does your municipality have a risk register/database?		
Does your municipality have a risk communication strategy?		

6. RISK ANALYSIS, EVALUATION AND TREATMENT

This section seeks to establish the extent/scope and responsibilities for risk analysis, evaluation and treatment in your municipality.

Are risks analysed in terms of:	Yes	No
Likelihood?		
Consequence?		
Financial impact?		
Other? <i>(please specify below)</i>		

Does your municipality have an up to date:	Yes	No
Disaster recovery plan for information technology?		
Risk management plan for asset protection?		

In the municipality risk management reviews consider:	PLEASE SELECT
Risks today	1
Risks over the next 1-2 years	2
Risks beyond 2 years.	3

7. RISK MONITORING AND REVIEW

This section seeks information on how municipality monitors, reviews and reports on risks which arise.

Who reviews and monitors:	A= Risks Faced	B= Effective Risk Treatment	C= Opportunity Treatment	D= Risk Financing
Internal Auditor?				
Risk Manager?				
Director of Finance?				
Other? <i>(please specify below)</i>				

How often is the review and monitoring undertaken e.g. monthly, quarterly?

Does your municipality have key indicators to routinely monitor the:	YES	NO
Levels of risk?		
Application of the risk treatment measures?		
Effectiveness of the risk treatments?		

If yes, please specify the key performance indicators being used:

Does the municipal most recent Annual Report include:	YES	NO
A description of the risks faced by municipality?		
A description of risk management by municipality?		

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