



TSWELOPELE

LOCAL MUNICIPALITY

A MUNICIPALITY IN PROGRESS

TSWELOPELE LOCAL MUNICIPALITY COMBINED ASSURANCE POLICY

2024/2025

FINANCIAL YEAR

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1. PURPOSE OF THE POLICY

- 1.1. This framework sets out to integrate assurance, co-ordinate all assurance providers within Free-State Local Government Administration and establish a system for the implementation of combined assurance. The legislation, regulations, standards and frameworks referred to above were utilized to above were utilized in the development of this Combined Assurance Framework.

2. OBJECTIVES OF THE POLICY

The objectives of the combined assurance plan are mainly to:

- i. Identify and specify the sources of assurance over the Institutions risks;
- ii. Provide the Risk Management Committee, the Accounting Authority / and Executive Management with a framework of the various assurance parties;
- iii. Link risk management activities with assurance activities. This will also assist the Accounting Authority / Officer to review effectiveness of the risk management system; and
- iv. Provide a basis for identifying any areas of potential assurance gaps.

3. SCOPE

- 3.1. This policy applies throughout the Municipality, as per the defined roles and responsibilities, becoming effective once approved by Council and will be implemented over time through a phased in approach as detailed and approved in the Combined Assurance Framework and Implementation Plan.
- 3.2. Special requirements, providers of combined assurance for Effectiveness.

This section focuses on requirements to qualify as an assurance provider Category Minimum requirements

- i. Independence/Objectivity Independent reporting lines;
- ii. No recent direct involvement and/or work done in the area/aspects to be audited;
- iii. Conflict of interest in the areas/aspects in which assurance is to be provided;
- iv. Skills and experience the assurance provider should have appropriate skills and experience to effectively conduct the assignment;
- v. Ideally, a risk-based approach should be followed;
- vi. The reported findings and opinions should be supported by adequately documented working papers/audit trails.

4. POLICY DEFINITION

4.1. *Policy definition:*

Assessment means the identification, analysis and evaluation of risks when used in a risk management context, as set out in the Tswelopele Local Municipality Risk Management and Implementation Plan.

Assurance means an objective examination of evidence for the purpose of providing an assessment on governance, risk management and control processes for the organisation;

Municipality means the municipality of Tswelopele Local Municipality, a municipality established by the Municipality of Tswelopele as per establishment Notice issued in terms of the Local Government: Municipality Structures Act, 1998 (Act No. 117 of 1998) or any structure or employee of the Municipality acting in terms of delegated authority.

Combined Assurance (CA) means the integration and aligning of assurance processes in the Municipality to maximise risk and governance oversight and control efficiencies, thereby optimising overall assurance to Council, the APRC and Executive Management; taking into account the Municipality's risk acceptance level;

Combined Assurance Plan (CAP) means the agreed upon plan, setting out activities (risks, SPFs, root causes and controls) on which CA is required, by whom and how often this should be given;

Controls means any actions (such as reviews, checks and balances, methods and procedures) taken by personnel, management, council and others parties to manage risk and increase the likelihood that the established objectives and goals will be achieved,

Council means the Municipal Council of the Municipality of Tswelopele Local Municipality;

Risk Management means the processes effected by the MM, management and other personnel, across the Municipality, designed to identify potential events that may affect the Municipality and identify ways of managing these, in order to provide reasonable assurance regarding the Municipality being able to achieve its objectives;

Lines of defence means the various levels on which assurance providers provide assurance to various stakeholders. These levels are directly linked to the assurance provider's level of independence from the activity on which assurance is required.

Management includes staff of the municipality who controls or directs any directorate, department, unit, division, process or resources of the Municipality;

Risk means uncertain future events (threats and opportunities) that could influence the achievement of the goals and objectives of the Municipality;

Risk Management means the systematic approach to setting the best course of action under certainty by assessing, understanding, acting on and communicating risk issues and opportunities.

4.2. ABBREVIATIONS

AC means the Audit Committee of the Municipality;

CA means Combined Assurance;

CAP means Combined Assurance Plan;

CRO means Chief Risk Officer;

EMT means the Executive Management Team of the Municipality, consisting of the MM and all Directors;

IA means Internal Audit;

APRC means Audit, Performance and Risk Committee;

MM refers to the Municipal Manager

SPF means Single Point of Failure (Business Continuity Risk)

5. LEGISLATIVE FRAMEWORK

5.1 References/Legislative Mandates

The following documents were used in the development of the Combined Assurance Framework:

- 1.1.1. Municipal Finance Management Act, Act No. 56 2003;
- 1.1.2. Treasury Regulations;
- 1.1.3. King IV on Corporate Governance;
- 1.1.4. 2024 Global Internal Audit Standards (and back); and
- 1.1.5. The National Treasury Internal Audit Framework.

6. POLICY OR PROCEDURE TARGET

6.1 Combined Assurance Policy has been developed to highlight the overall process and function of all relevant stakeholders (four lines of defence) within the organisation and how it will assist the organisation to achieve its objectives through risk management.

6.2 The Policy is established to assist and advise the Accounting Officer on the effectiveness of the internal controls and risk management.

6.3 The mission is a summary of the way in all the relevant stakeholders through involvement in the risk management will provide Value to the organisation.

7. GENERAL POLICY PROVISIONS

7.1 The purpose of this Combined Assurance Framework is to communicate the progress made and the results on its implementation to the Audit Committee; Council and the management of the municipality.

7.2 The purpose of this Combined Assurance Framework is to communicate the progress made and the results on its implementation to the APRC, Council and the management of the municipality.

7.3 It may not be made available to anyone other than authorised persons within Tswelopele Local Municipality or relied upon by any third party.

7.4 It should not be used for any other purposes for which it was not specifically scoped or designed, and as such, it should not be relied upon as evidence in any disciplinary proceedings involving employees, whether conducted internally or externally.

8. PROCEDURES FOR IMPLEMENTING POLICY

For the effective implementation of the Combined Assurance Framework, all the necessary steps were followed during implementation:

- Consultation of all relevant stakeholders
- Obligation of the framework
- Realistic of the framework
- Publicise of the framework
- Training of relevant staff to the framework
- Consistent implementation of the framework and
- Periodically review of the framework

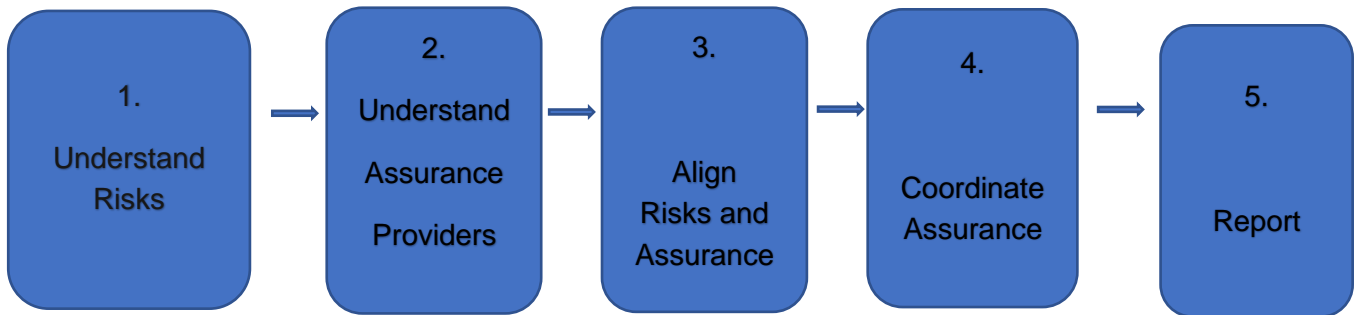
9. COMBINED ASSURANCE METHODOLOGY

9.1 Combined assurance is a coordinated approach that ensures that all assurance activities provided by management; internal assurance providers and external assurance providers adequately address significant risks facing the organization and that suitable controls exist to mitigate the risks.

The Combined Assurance Methodology includes:

- 1.1.1 Understanding the risks of the organization;
- 1.1.2 Understanding who the assurance providers are;
- 1.1.3 Aligning risks and assurance;

- 1.1.4 Coordinating assurance; and
- 1.1.5 Reporting



9.1.1.1 Understanding the Risks of the Organization:

- i. Risks are informed by management’s assessment of risk.
- ii. This is achieved by Risk Management activities, including the compilation of a Strategic Risk Register.
- iii. Risk areas are further complemented by various stakeholders’ knowledge of the organization, its business activities and exposures.
- iv. The Strategic Risk Register of the organization may be utilised for the understanding of the risks phase of the process.

9.1.1.2 Understanding who the Assurance Providers are:

Assurance providers are categorized in three lines of defence:

9.1.1.3 **Management oversight:** Line management is accountable and responsible for the management of risk and performance. A key element of this activity is the extent of management reviews and the actions that follow.

9.1.1.4 **Management of risk:** Internal functions provide support to line management in executing their duties. These include functions such as risks management, monitoring and evaluation or policy and planning units, financial standing committees, Oversight and Provincial Treasury Oversight.

9.1.1.5 **Independent assurance:** Internal audit, external audit, APRC and Legislature oversight through the Standing Committee on Public Accounts provides independent assurance at various intervals.

10. ROLES AND RESPONSIBILITIES

1. Combined assurance in the Municipality is based on a four lines of defence module. Lines of defence should not be combined or coordinated in a manner that compromises their effectiveness.
2. The following CA role-players have been identified and should take an active interest in the CA processes, co-ordinating their assurance providing efforts with those of other assurance providers and improving on CA efforts in the municipality.
3. Internal role-players who fail to comply with this policy could face disciplinary action and potential dismissal.
4. Guidance with the steps required in order to comply with the requirements set out below are contained in the CA Framework and Implementation Plan.

10.1 FIRST LINE OF DEFENCE

The first line of defence is made of:

- Tone of the organization because of the of the significant influence it has on the organization's risk culture. this phrase is intended to describe the collective impact of the tone at the top, tone in the middle and tone at the bottom on risk management, Compliance and responsible business behaviour.
- **The following responsibilities are attached to each line of defence for effective combined assurance model in a municipality:**
- Senior management is responsible for initiating the proper tone at the top, driving an "everyone is responsible for risk management" mantra throughout the organization and positioning each of the respective lines of defense to function effectively.
- Business unit management, functional management and process owners are responsible for ensuring the tone in the middle is aligned with the tone at the top.
- The Council must be vigilant to ensure there is nothing constraining risk management and compliance functions (third line of defense) and internal audit (fourth line of defense) from reporting to it when critical risk issues arise; periodic executive sessions with the appropriate functional leaders and the Chief Audit Executive (Manager: Internal Audit and Risk) can help in this regard.

10.2 SECOND LINE OF DEFENCE

The following responsibilities are attached to each line of defence for effective combined assurance model in a municipality;

- In the 'Five Lines of Defence' model, management (as the second line of defence) will provide assurance on all areas within their span of control.
- Management is ultimately responsible for establishing, maintain and ensuring proper governance, risk management and internal control processes.
- Management must assess risks, determine how much risk is acceptable and strive to maintain risk within those levels; using various management tools, including self-assessments.
- Managements' reports and associated representations should offer the various role-players reasonable assurance. Management needs to assist and play an active part in the compilation of the CAP and ensuring they fulfil their roles and responsibilities as set in the CAP.
- Management is responsible for ensuring that assurance providers appointed to give them or stakeholders additional assurance have the necessary skills, competencies and comply with required standards.
- In return CA should provide management with optimal assurance relating to the significant risks they manage.

10.2 THIRD LINE OF DEFENCE

The third line of defence is made up of:

- 10.2.1 Risk control and compliance assurance providers reporting primarily to management and oversight bodies, with limited independence in relation to the activity on which assurance is required.
- 10.2.2 In the municipality the risk control and compliance assurance provider making up the third line of defence includes, but not limited to APRC, EMT legal services; Environmental Resource Management, Occupational Health and Safety (OHS); Municipality Ombudsman, RM, Forensic Services.
- 10.2.3 The third line of defence provides assurance or corroborative assurance; that management is indeed sufficiently in control of the regulatory; statutory; environmental; ethical and quality requirements and the associated risks; critical to the on-going success of the Municipality. Co-ordinating these

ensure the elimination of gaps and duplications and the resulting unmanaged risks or waste of resources.

- 10.2.4 These assurance providers should ensure that they apply their specific professional standards and best practices, give inputs into the compilation of the CAP and ensuring they fulfil their roles and responsibilities as set in the CAP.

10.3 FOURTH LINE OF DEFENCE

The fourth line of defence includes:

- i. Risk assurance providers who have greater independence, such as IA, various provincial and national departments; such as Treasury and external audit, who report to Oversight bodies.
- ii. These assurance providers should ensure that they apply their specific professional standards and best practises, give inputs into the compilation of the CAP and ensuring they fulfil their roles and responsibilities as set in the CAP.

10.4 FIFTH LINE OF DEFENCE

- i. The Municipality has various independent oversight bodies and bodies who advise them; functioning as a fifth line of defence.

These oversight bodies ultimately provide assurance to the inhabitants of the Municipality and Country relating to activities and governance issues of the Municipality. Various oversight bodies would have a vested interest in CA and could request feedback and give inputs into their area of responsibility, in order to ensure that assurance and performance is balanced and maximised.

The oversight bodies and bodies who advise them include, but are not limited: -

- i. Municipal Public Accounts Committee (MPAC)
- ii. Council
- iii. Audit, Performance, and Risk Committee (APRC)
- iv. Portfolio Committees

11. KEY-ROLE PLAYERS TO THE COMBINED ASSURANCE PROCESS

The Municipality identified the following key role-players with specific roles and responsibilities with regards to the implementation of Combined Assurance Processes in the Municipality:

11.1 MANAGEMENT

Management will always be the first line of defence. Management must determine which activities need to be included in the CAP; taking responsibilities for identifying and confirming assurance providers and agreeing with them on the objective, scope and timing of assurance required.

11.2 RISK MANAGEMENT – CUSTODIAN OF COMBINED ASSURANCE

The Risk and Compliance Officer is the custodian of the CA policy, taking responsibility for the institutionalising of CA.

- i. While management remains ultimately responsible for unpacking the CAP, RM should facilitate and co-ordinate the process and ensure implementation and roll out in accordance with the CA Framework and Implementation Plan.
- ii. RM needs to report to APRC on CA matters.

11.3 IA - ASSURANCE PROVIDER OF CA PROCESSES

- i. Council is accountable to the public and thus takes an interest in CA to the extent necessary to obtain comfort that properly established and functioning systems of CA and RM are in place to protect the Municipality against significant risks.
- ii. CA should provide Council with optimal assurance regarding the significant risks facing the Municipality.

11.4.1 COUNCIL

- i. Council is accountable to the public and thus takes an interest in CA to the extent necessary to obtain comfort that properly established and functioning systems of CA and RM are in place to protect the Municipality against significant risks.
- ii. CA should provide Council with optimal assurance regarding the significant risks facing the Municipality.

11.4.2 AUDIT, PERFORMANCE, RISK AND COMMITTEE (APRC)

The APRC is an independent committee responsible for:

- i. Advising Council with regards to the oversight of the Municipality's controls; governance and Risk Management
- ii. The APRC functions should be applicable in terms of its Council approved term of reference.
- iii. The APRC's is to ensure that a CA model is applied to provide a co-ordinated approach to all assurance activities as defined in the Municipality's CA Framework and Implementation Plan.
- iv. In particular the APRC should ensure that the CA received addresses the significant risks facing the Municipality. This includes monitoring the effective functioning of IA.
- v. The APRC will need to give guidance on the implementation and roll-out of Combined Assurance, recommend for approval of the CAP and monitor and review progress and reports thereon.

12. MONITORING; EVALUATION AND REVIEW OF THE POLICY

Risk Management is responsible for the monitoring and evaluation of this policy. The policy shall be revised and approved by Council when operational needs require this, but at least on once during every term of Council.

Any queries and/or requests for amendments relating to this policy should be directed to the Risk and Compliance Officer/ Internal Audit and Risk Manager Tel No. 051 853 1111

13. APPROVAL AND IMPLEMENTATION

Developed by:

MI THIBAKHOANA
RISK AND COMPLIANCE OFFICER

DATE

Recommended by:

MLE LESEANE
MUNICIPAL MANAGER

DATE

Approved by APRC Committee:

CHAIRPERSON: APR COMMITTEE

DATE