



TSWELOPELE

LOCAL MUNICIPALITY

A MUNICIPALITY IN PROGRESS

**TSWELOPELE LOCAL
MUNICIPALITY
RISK MANAGEMENT POLICY
&
STRATEGY**

2025/2026

FINANCIAL YEAR

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1. DEFINITIONS

- 1.1 Accounting Officer means:** In relation to a municipality, the Municipal Manager (as referred to in section 60 of the MFMA), and b) in relation to a municipal entity, the Chief Executive Officer (as referred to in section 93 of the MFMA).
- 1.2 Auditor-General:** The designated public auditor of the municipality or municipal entity, being the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person - (a) acting as Auditor-General (b) acting in terms of a delegation by the Auditor-General; or (c) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General
- 1.3 Audit Committee:** An independent committee constituted to review the control, governance and risk management within the Institution, established in terms of section 166 of the MFMA.
- 1.4 Categories of Municipalities:** Category A, B or C municipality referred to in Section 155 (1) of the Constitution.
- 1.5 Capacity:** The capability of the Institution to execute its mandate and includes the sufficiency and competency of administrative, financial management and technical human resources, as well as infrastructure that enables the Institution to perform.
- 1.6 Chief Risk Officer:** A senior official who is the head of the risk management unit.
- 1.7 Combined assurance:** A process that seeks to optimize the scope of assurance to the Institution by harmonizing the work of various providers of assurance through eliminating fragmentation and duplication of efforts.
- 1.8 The Constitution:** The Constitution of the Republic of South Africa, the supreme law of the Republic.
- 1.9 Council:**
- a) In relation to a municipality, the Municipal Council as referred to in section 18 of the Municipal Structures Act, and as defined in section 1 of the MFMA; and
 - b) in relation to a municipal entity, the Municipal Council of its parent municipality.
- 1.10 Framework:** The Local Government Risk Management Framework.
- 1.11 Incident:** A risk that has actualized.
- 1.12 Institution:** A municipality or a municipal entity.

- 1.13 Integrated Development Plan (IDP):** A single, inclusive and strategic plan aimed at the integrated development and management of a municipality, as envisaged in Chapter 5 of the Municipal Systems Act.
- 1.14 Internal Auditing:** An independent, objective assurance and consulting activity designed to add value and improve the institution's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 1.15 King IV:** The King Code of Corporate Governance for South Africa, 2016 for corporate governance best practice (Specifically "Part 6.2: Supplement for municipalities").
- 1.16 Management:** Collectively, all levels of management personnel and officials of the Institution responsible for planning, organizing, leading and controlling institutional activities. In other words, everyone except the Chief Risk Officer, Chief Audit Executive and staff reporting to them, who are deemed to be independent of management in the exercise of their responsibilities for risk management.
- 1.17 MFMA:** Municipal Finance Management Act (Act No. 56 of 2003), whose aim is to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government; to establish treasury norms and standards for the local sphere of government; and to provide for matters connected therewith.
- 1.18 Municipal Entity:**
- a) A company, co-operative, trust, fund or any other corporate entity established in terms of any applicable national or provincial legislation and which operates under the ownership control of one or more municipalities, and includes, in the case of a company under such ownership control, any subsidiary of that company, or
 - b) a service utility.
- 1.19 Municipal Manager:** A person appointed in terms of section 82 (a) or (b) of the Municipal Structures Act, who is the head of administration and also the accounting officer for the municipality.
- 1.20 Municipality:** When referred to as —

a) an institution, means as a municipality as described in section 2 of the Municipal Systems Act 32 of 2000; and

b) a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998).

1.21 Operational Risk: Risks that affect the achievement of the SDBIP, mainly resulting from inadequate or failed internal processes, actions of staff, loss of key personnel, failure of IT systems, failure of equipment, the actions of regulatory authorities, customers, suppliers and the public, as well as other external events that impact on the objectives.

1.22 Other Official: An official other than the Accounting Officer, Management, Chief Risk Officer and his/her staff.

1.23 Residual Risk: The exposure remaining after the mitigating effects of management intervention(s) to control such exposure, i.e. the remaining risk after management has put in place measures to control the inherent risk.

1.24 Risks:

a) The effect of uncertainty on the achievement of the Institution's IDP and SDBIP caused by the presence of risk factors; and/or

b) The failure to optimize opportunities to enhance the achievement of the IDP and SDBIP.

1.25 Risk Appetite: The level of risk which is established through a rigorous analytical process (including consideration of cost versus benefit) that the Institution is prepared and able to accept in furtherance of its objectives.

1.26 Risk Factor: Any threat or event which creates, or has the potential to create risk.

1.27 Risk Intelligence: Information that is purposively identified, collected, analyzed, presented and communicated for use in risk management decisions.

1.28 Risk Management Committee: A committee appointed by the Accounting Officer to apply specialist skills, knowledge and experience and assist him/her to dispose of his/her responsibilities for all matters concerned with the establishment, maintenance and functioning of Institution's system of risk management, especially the management of priority risks.

1.29 Risk Management: A systematic, coordinated set of activities and methods used to direct an organization and to control risks, including a set of principles, a framework and a process.

1.30 Risk Management Unit: A business unit which reports to and supports the Chief Risk Officer to fulfil his/her functions.

1.31 Risk Maturity: The sophistication and capability of the Institution to manage risks. Maturity is exhibited by the level of: risk culture, risk governance, risk management processes and Institutional competence [skills, knowledge, experience].

1.32 Risk Owner: The person accountable for managing a particular risk linked to the objective(s) he/she is responsible for.

1.33 Service Delivery and Budget Implementation Plan (SDBIP): A detailed plan approved by the mayor of a municipality in terms of section 53(I)(c)(ii) of the MFMA for implementing the municipality 's delivery of municipal services and its annual budget.

1.34 Senior Manager:

(a) in relation to a municipality, a manager referred to in section 56 of the Municipal Systems Act; or

(b) in relation to a municipal entity, a manager directly accountable to the Chief Executive Officer of the entity.

1.35 Strategic Risk: Risks connected with strategy selection, implementation or revision which affects the achievement of the IDP. Strategic risks occur both from poor business decisions as well as the failure to effectively implement good decisions.

1.36 Enterprise Risk Management: A systematic, coordinated and inclusive process which uses the Institution's strategy and objectives as the focal point to manage the range of risks and optimization of opportunities to enhance the achievement of the strategy and objectives.

1.37 Enterprise-wide Risk Management (ERM): A systematic, coordinated and inclusive process which uses the Institution's strategy and objectives as the focal point to manage the range of risks and optimization of opportunities to enhance the achievement of the strategy and objectives.

1.38 Risk Analysis: It is a process that involves identifying the most probable threats to the TLM and analyzing the related vulnerability of the TLM to the threats. This includes

risk assessment, risk characteristics, risk communication, risk management, and policy relating to risk.

1.39 Risk Assessment: The process concerned with determining the magnitude of risk exposure by assessing the likelihood of the risk materializing and the impact that it would have on the achievement of objectives.

1.40 Risk Identification: The process concerned with identifying events that produce risks that threaten the achievement of objectives.

1.41 Inherent Risks: The exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.

1.42 Residual Risk: The risk that remains after all efforts have been made to mitigate or to eliminate the risk that the TLM is exposed to.

1.43 Risk Response: The process concerned with determining how the TLM will mitigate the risks it is confronted with, through consideration of alternatives such as risk avoidance, reduction, risk sharing or acceptance.

1.44 Monitor: The process of monitoring and assessing the presence and functioning of the various components overtime.

1.45 Risk Champions: The Risk Champion is a person with the skills, knowledge and leadership required to champion the risk management cause.

2. PURPOSE

The policy is intended to outline the Municipality's commitment on risk management activities in order to promote a risk cautious culture and sound risk management practices. To further ensure that risk management activities are incorporated into day-to-day actives of the Municipality's processes which will assist management to make sound decisions.

3. RISK AND RISK MANAGEMENT

3.1 Risk refers to an unwanted outcome (actual/potential) to the Tswelopele local municipality's (TLM's) service delivery and other performance objectives, caused by the risk factor(s). Some risk factor(s) also present upside potential, which management must be aware of and be prepared to exploit.

Risk management is a systematic and formalized process instituted by the TLM to identify, assess, manage and monitor risk.

3.2 Benefits of Risk Management

The TLM implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management will assist the municipality to achieve, among other things, the following outcomes needed to underpin and enhance performance:

- more sustainable and reliable delivery of services;
- informed decisions underpinned by appropriate rigor and analysis;
- innovation;
- reduced waste;
- prevention of fraud and corruption;
- better value for money through more efficient use of resources; and
- better outputs and outcomes through improved project and programme management.

4. POLICY STATEMENT

4.1 The Municipal Manager has committed Tswelopele Local Municipality (TLM) to a process of risk management that is aligned to the principles of good governance in terms of the Municipal Finance Management Act (MFMA), Act no 56 of 2003 Section 62 (1) (c) (i) and Section 95 (c) (i).

4.2 The Municipality's risk management process is also supported and guided by the following legislations and best practices of good governance:

- Local Government Risk Management Framework;
- King Code IV;
- COSO internal Control Framework 2020;
- ISO31000; and
- Treasury Regulations.

4.3 The approach of executing this policy is outlined in the Tswelopele Municipality risk management strategy. It is therefore expected that all departments and all personnel (top-down) adopt and adapt to the risk management strategy.

4.4 Effective risk management process is vital to the municipality to fulfil its vision and mission, service delivery commitments to TLM's Community and overall performance of the Municipality.

4.5 Tswelopele Municipality subscribes to the fundamental principles that all resources will be applied economically to ensure:

- The highest standards of service delivery;
- A management system containing the appropriate elements aimed at minimizing risks and costs in the interest of all stakeholders;
- Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholders' expectations; and
- Maintaining an environment, that promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.

4.6 An entity-wide approach to risk management is adopted by TLM, which means that every key risk in each part of the municipality will be included in a structured and systematic process of risk management.

4.7 It is expected that the risk management processes will become embedded into the municipality's systems and processes, ensuring that our responses to risks remain current and dynamic. All risk management efforts will be focused on supporting the departmental objectives. Equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

5. POLICY OBJECTIVES

1. To explain TLM's approach to risk management and ensure that it has a consistent and effective approach to risk management;
2. To ensure that the TLM's culture and processes encourage the identification assessment and treatment of risks that may affect its ability to achieve its objectives;
3. To explain key aspects of risk management;
4. To clearly indicate the risk management reporting procedures;
5. To hold Council, management and officials accountable for the implementation of risk management on their area of responsibility;
6. To create an environment where all the TLM's employees take responsibility for managing risk;
7. To create a more risk aware organizational culture through enhanced communication and reporting of risk;
8. To improve corporate governance and compliance with relevant legislation;
9. The implementation of this policy will provide the TLM with a basis and a framework for:
 - a) more confident and rigorous decision-making and planning;
 - b) better identification of opportunities and threats;

- c) pro-active rather than re-active management;
- d) more effective allocation and use of resources;
- e) improved management and reduction in loss and cost of risk;
- f) improved stakeholder confidence and trust;
- g) Clear understanding by all staff of their roles, responsibilities and authorities for managing risk.

6. GENERAL PRINCIPLES

1. All risk management activities will be aligned to the Municipality's goals, objectives and the priorities, and aims to protect and enhance performance of the Municipality.
2. Risk analysis will form part of the Municipality strategic and operational processes.
3. Risk management is established on a risk-based approach to internal control which will be embedded into day- to- day operations of the Municipality.
4. Managers and staff at all levels will have the responsibility to identify, evaluate and manage or report risks, and will be equipped to do so.
5. Risk management in the Municipality should take a proactive approach and where possible avoid risks rather than dealing with their consequences.
6. In determining an effective response to risk, the cost of controls and the impact of risks occurring will be balanced with the benefits of reducing the risk. This is to ensure that there are no situations where the cost or effort of implementing or putting in place controls is higher than the impact or expected benefits.

7. ROLES AND RESPONSIBILITIES

It is the responsibility of every TLM official to integrate risks management processes in their area of responsibility as outlined in the risk management strategy.

ROLE PLAYERS	RESPONSIBILITIES
RISK MANAGEMENT OVERSIGHT	
Council	The Council takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the Municipality against significant risks.
Audit, Performance and risk Committee	The Committee is an independent committee responsible for oversight of the Municipality's control, governance and risk management. The Committee provides an independent and objective view of the Municipality's risk management effectiveness.
	The Committee's role is to review the risk management progress and maturity of the Municipality, the effectiveness of risk management activities, the key risks facing the Municipality, and the responses to address these key risks. The responsibilities of the Audit, Performance and Risk Committee are formally defined in its charter.
RISK MANAGEMENT IMPLEMENTERS	
Municipal Manager	The Municipal Manager is the ultimate Chief Risk Officer of the Municipality and is accountable for overall governance of risk within Tswelopele Municipality. By setting the tone at the top, the Municipal Manager promotes accountability, integrity and other factors that will create a positive control environment.
Management	Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management into their operational routines.

Other Officials	Other officials are responsible for integrating risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.
RISK MANAGEMENT SUPPORT	
Manager: Internal Audit & Risk	The role of a Risk Manager is to communicate risk policies and processes of the municipality . They provide hands-on development of risk models involving market, credit and operational risk, assure controls are operating effectively, and provide research and analytical support.
Risk & Compliance Officer	The Risk Officer is the custodian of the Risk Management Strategy, and coordinator of risk management activities throughout the Municipality. The primary responsibility of the Risk Officer is to bring to bear his/her specialist expertise to assist the Municipality to embed risk management and leverage its benefits to enhance performance.
Risk champions	The Risk Champion's responsibility involves intervening in instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of departmental skills and expertise.
RISK MANAGEMENT ASSURANCE PROVIDERS	
Internal Audit	The role of the Internal Auditing in risk management is to provide an independent, objective assurance on the effectiveness of the Municipality's system of risk management. Internal Auditing must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.
External Audit	The external auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management.

8. REPORTING

8.1 REPORTING BY THE RISK OFFICER

8.1.1 The Risk and Compliance Officer will communicate with Risk Owners on a monthly basis for reporting on risk management activities within their departments. The Manager: Internal Audit and Risk will then report to the Accounting Officer.

8.1.2 The Manager: Internal Audit and Risk will submit a quarterly report to Audit, Performance and Risk Committee.

8.2 REPORTING BY THE AUDIT, PERFORMANCE AND RISK MANAGEMENT COMMITTEE

- The Audit, Performance and Risk Committee will submit a quarterly report to Council (copy of which will be provided to the MM) that will outline the work performed by the committee in that specific quarter and must consider the responsibilities outlined in the Audit, Performance and Risk Committee charter.
- Furthermore, the Audit, Performance and Risk Committee will evaluate the Risk Management disclosure in the annual financial statement to ensure that it is in line with the reporting requirements.

9. POLICY REVIEW

The effectiveness of the policy will be reviewed annually.

The amendments will be sent to the Audit, Performance and Risk Committee for recommendation and to Council for approval.

SECTION B – RISK MANAGEMENT STRATEGY

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1. INTRODUCTION

The Municipality risk management strategy is directed at outlining the process of implementing TLM risk management policy which informs the strategy. It further articulates a plan of action to enhance the Municipality's risk profile. It is imperative to read the strategy in conjunction with the Risk management Policy which aims to comply with Local Government Risk Management Framework.

The Municipal Finance Management Act 2003 (No. 56 of 2003) defines the Municipal Manager as the accounting officer of the Municipality and MFMA sec 62(1)(c)(i) requires the Municipal Manager to take reasonable steps to ensure that the Municipality has and maintains effective, efficient and transparent system of financial risk management and internal controls. Risk management is integral to planning, organizing, directing and coordinating systems aimed at achieving Municipality's goals and objectives.

2. PURPOSE

To support the implementation of the risk management activities this strategy provides:

- Clear roles and responsibilities;
- A culture awareness of risks;
- Standard methodologies for the management of risks
- A consistent view of the risk profile within the Municipality

3. OBJECTIVES

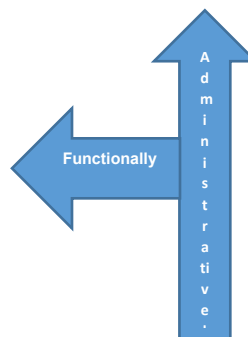
The objectives of Risk Management Strategy are as follows:

1. To provide and maintain a working environment where everyone is following sound risk management practices and is held accountable for achieving results;

2. To provide with the framework on which the employees will utilize to implement risk management;
3. To provide the facilities and create a conducive working environment in ensuring that everyone has the capacity and resources to carry out his or her risk management responsibilities;
4. To ensure that risk management activities are fully integrated into the planning, monitoring and reporting processes and into the daily management of program activities.

4. STRUCTURAL CONFIGURATION

The risk management unit is placed in the office of the MM and the Manager: Internal Audit and Risk reports directly to the Municipal Manager, and reports functionally to the Audit, Performance and Risk Committee quarterly.



**AUDIT
,PERFORMANCE AND
RISK COMMITTEE**

**STRATEGIC
MANAGEMENT:
STRATEGIC
MANAGER
X1 IDP & PMS
OFFICER**

**RISK MANAGEMENT:
MANAGER: INTERNAL
AUDIT AND RISK
1X RISK &
COMPLIANCE
OFFICER**

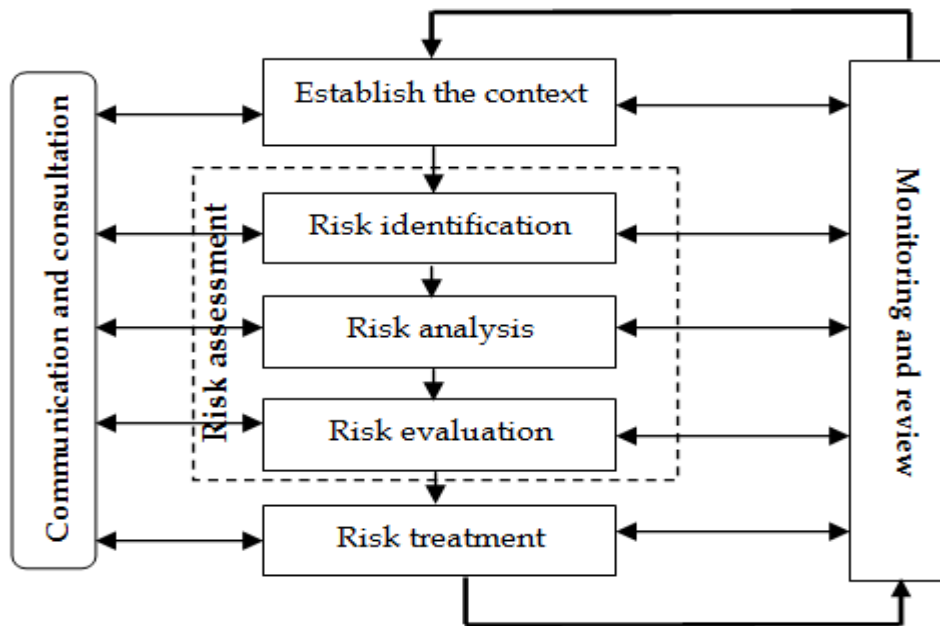
**INTERNAL
AUDIT:
MANAGER:
INTERNAL AUDIT
AND RISK
X1 INTERNAL
AUDITOR
X1 INTERNAL
AUDIT INTERN**

**SECURITY DIVISON:
X1 HEAD OF
SECURITY
X1 ADMIN
SECRETARY
X2 SUPERVISOR
X24 SECURITY
OFFICERS**

OFFICE OF THE MM: MM & PA

5. RISK MANAGEMENT METHODOLOGY

The risk management process of the TLM will be depicted as follows:



(ISO 31000:2009 Chart)

5.1 DETAILED RISK MANAGEMENT APPROACH

5.1.1 ESTABLISHING CONTEXT

The municipality sets the tone at the top by ensuring that all policies and procedures that guides business processes are in place. The risk appetite and tolerance are considered in improving a risk cautious culture within the Municipality. This involves establishing both strategic and operational objectives which are embedded in the IDP & SDBIP and Municipal hierarchy. The Municipality also considers the external factors such as social, cultural, political and economy, and the alignment with internal factors such as strategy, resources and capabilities. Criteria against which risk will be evaluated needs to be established and defined which will assist Management to make informed decisions

5.1.2. RISK ASSESSMENTS

Risk assessment process allows the Municipality to consider how potential risks might affect the achievement of set objectives in the IPD & SDBIP. Management will assess both positive (opportunities) and negative (threats) risk events as follows:

a) Risk identification: a process that the Municipality use to identify and describe risks that may affect achievement of the set objectives. The Municipality will use the following methods to identify risks:

- **Historical data** – AGSA, Internal Audit, Provincial Treasury, COGTA, and Management reports will be considered. Inputs from the Audit, Performance and Risk committee and all stakeholders will also be considered.
- **Meetings/workshops** – risk assessment one-on-one meetings or workshops will be conducted as and when the operational risk register is reviewed for update with the relevant officials.
- **SWOT analysis** – this method might be used to identify strategic risks when IDP & SDBIP are being reviewed.

To ensure comprehensiveness of risk identification the Municipality should identify risk factors through considering both internal and external factors, through appropriate processes of:

- **Strategic risk identification:** Involves identifying risks emanating from the strategic goals formulated by the Municipality. The strategic risks will be reviewed concurrently with any changes in the IDP at least annually to consider emerging risks using analysis (e.g. SWOT) and should precede the finalization of strategic choices annually. Risks should be documented, assessed and managed through the normal functioning of the system of risk management and risk register updated accordingly.

- **Operational risk identification:** Involves identifying risks associated with the Municipality's operations. It seeks to establish vulnerabilities introduced by employees, internal processes and systems, contractors, regulatory authorities and external events. Operational risk identification should be an embedded continuous process to identify emerging risks and consider shifts in known risks through mechanisms such as management and committee meetings, environmental scanning, process reviews, etc. Risk register is updated regularly.
- **Project risk identification:** Project risks should be identified for all projects and the project risk register should be reviewed at least once a year to identify emerging risks if its lifecycle is more than a period of 12 months. The head of the department will be the custodians of project risks register and risk Officer will advise the relevant department on the process.

b) Risk Classification

The identified risks are classified according to the following risk categories:

NO.	Risk Category	Description
1	Human Resources	<p>Risks that relate to the human resources of an organization.</p> <p>These risks can have an effect on an entity's human capital with regard to:</p> <ul style="list-style-type: none"> - Integrity and honesty - Skills and competence - Retention - Motivation and morale

2	Knowledge/Information Management	<p>Risks related to an organisation's management of knowledge and information</p> <p>Example:</p> <ul style="list-style-type: none"> - Availability of information - Integrity of information and data - Retention - Safeguarding
3	Litigation	<p>Risk that an organisation might suffer losses due to litigation and lawsuits against it.</p> <p>Losses from litigation can emanate from:</p> <ul style="list-style-type: none"> - Claims by employees, the public, service providers and other third parties. - Failure by an organisation to exercise certain rights that are to its advantage
4	Asset Management	<p>Risks associated with the misuse, physical damage, theft and under-utilisation and wastage of an organization's assets.</p>
5	Service Delivery	<p>Risks related to the disruption, quality, denial, non-availability or quality of service delivery to the public.</p>
6	Technology/IT	<p>The risk that relate specifically to an organization's IT objectives, infrastructure and requirements.</p> <p>Relevant aspects include:</p> <ul style="list-style-type: none"> - Security concerns - Technology availability (uptime) - Technology effectiveness - Hardware obsolescence - Changes in technology

7	Third Party Performance	<p>Risks related to an organization's dependence on the performance of a third party.</p> <p>Risk in this regard is the likelihood that a service provider might not perform according to an agreement entered into with an organization.</p> <p>Non-performance could include:</p> <ul style="list-style-type: none"> - Outright failure to perform - Not rendering the required service in time - Not rendering the correct service - Inadequate/poor quality of performance
8	Health and Safety	Risks related to occupational health and safety issues and concerns (e.g. deaths and injuries on duty, accessibility of facilities to persons with disabilities, etc.)
9	Disaster Recovery	<p>Risks related to an organization degree of preparedness or absence thereto, natural disasters that could impact the normal functioning and continuity of the business operations e.g., natural disasters, acts of terrorism etc.</p> <p>- Factors to consider include:</p> <ul style="list-style-type: none"> - Disaster management and business continuity procedures, and - Contingency planning
10	Compliance/regulatory	<p>Risks related to possible breaches to legislation, prescripts and regulations that an organization should comply with.</p> <p>Aspects to consider in this regard are:</p> <ul style="list-style-type: none"> - Failure to monitor or enforce compliance - Monitoring and enforcement mechanisms

		- Consequences of non-compliance
11	Fraud and corruption	<p>Risks associated with fraud and corruption practices, both by staff and external parties.</p> <p>These include:</p> <ul style="list-style-type: none"> - Misrepresentation for the purposes of concealing illegal acts - Collusion - Offering and/or acceptance of kickbacks - Nepotism
12	Financial	<p>Risks encompassing the entire scope of general financial management.</p> <p>Potential factors to consider include:</p> <ul style="list-style-type: none"> - Cash flow adequacy and management thereof - Financial losses - Financial statement integrity - Revenue collection - Financial planning
13	Cultural	<p>Risks relating to an organisation's overall culture and control environment.</p> <p>The various factors related to organisational culture include:</p> <ul style="list-style-type: none"> - Communication channels (the existence and the effectiveness & efficiency thereof) - Cultural integration - Entrenchment of ethics and values - Goal alignment - Leadership and management style

14	Reputation	Factors that could result in the tarnishing of an organisation's reputation, public perception and corporate image.
15	Economic	Risks related to an organisation's economic environment
16	Political	Risks emanating from political factors and decisions that have an impact on an organisation's mandate and operations
17	Natural environment	<p>Risks related to the adverse natural environment consequences of executing an organization's strategy.</p> <p>Factors to consider include:</p> <ul style="list-style-type: none"> - Depletion of natural resources - Environmental degradation - Environmental contamination

c) Risk Analysis: a process used to understand root causes (the nature, sources, and causes) of the identified risks. It is also used to study impacts and consequences of risks as well as existing controls.

d) Risk evaluation: a process used to rate risks in terms of likelihood and impact using risk scoring criteria to determine whether risk is within appetite or tolerance level for both inherent and residual risks. Risk evaluation involves the measurement (quantifying) and assessment (qualifying) of the inherent risks. The inherent risks are evaluated to determine the potential severity and the likelihood of risk events, as well as the adequacy of the risk control and different types of controls should be considered by management as follows; but not limited:

- Preventative controls
- Detective controls
- Corrective controls
- Management controls

The result of the evaluation process is the residual risks, which are the risks that remain after taking control measures into account.

(i) Risk Evaluation should be performed through a three-stage process outlined below:

- Firstly, the inherent risk should be assessed to establish the level of exposure in the absence of deliberate management actions to influence the risk;
- Secondly, a residual risk should be evaluated to determine the actual remaining level of risk after mitigating effects of management actions to influence the risk; and
- Thirdly, the residual risk should be benchmarked against the Municipality's risk appetite to determine the need for further management interventions if any.

(ii) The following tables will be used to evaluate risks:

Table 1: Risk Rating Matrix

High	16 -25
Medium	10 – 15
Low	1 – 9

Table 2: Impact Rating Guide

RATING	ASSESSMENT	DEFINITION
1	Insignificant	Negative outcomes or missed opportunities that are likely to have a negligible impact on the ability to meet objectives
2	Minor	Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives
3	Moderate	Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives
4	Major	Negative outcomes or missed opportunities that are likely to have a relatively substantial or high impact on the ability to meet objectives
5	Critical	Negative outcomes or missed opportunities that are of critical importance or significant impact to the achievement of the objectives

Table 3: Likelihood Rating Guide

RATING	ASSESSMENT	DEFINITION
1	Rare	The risk is conceivable but is only likely to occur in extreme circumstances.
2	Unlikely	The risk occurs infrequently and is unlikely to occur within the next 3 years
3	Moderate	There is an above average chance that the risk will occur at least once in the next 3 years
4	Likely	The risk could easily occur, and is likely to occur at least once within the next 12 months
5	Common	The risk is already occurring, or is likely to occur more than once within the next 12 months

Table 4: RISK MAPPING THE MUNICIPALITY WILL USE TO PLOT RISKS:

L I K E L I H O O D	Almost Certain	5	10	15	20	25
	Likely	4	8	12	16	20
	Moderate	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Rare	1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Critical
IMPACT						

Table 5: INHERENT RISK EXPOSURE (Impact X Likelihood) AND REFER TO RISK MAPPING ABOVE:

Risk rating	Risk magnitude	Inherent Response	Residual Response
16 – 25	High	Unacceptable level of risk – High level of control intervention required to achieve an acceptable level of residual risk.	Unacceptable level of residual risk – Implies that the controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). Controls require substantial redesign, or a greater emphasis on proper implementation.
10 – 15	Medium	Unacceptable level of risk, except under unique circumstances or conditions – Moderate level of control intervention required to achieve an acceptable level of residual risk.	Unacceptable level of residual risk – Implies that the controls are either inadequate (poor design) or ineffective (poor implementation). Controls require some redesign, or a more emphasis on proper implementation.
1 – 9	Low	Mostly acceptable – Low level of control intervention required, if any.	Mostly acceptable level of residual risk – Requires minimal control improvements.

e) Risk prioritization

The Municipality will consider its risk appetite and tolerance levels to determine which risks should take priority. Residual risks rated high will be prioritized and the residual risks with critical impact should be given priority.

f) Risk Appetite

- I. Risk Appetite is the amount of risk that Municipality is willing to accept in pursuit of risks. TLM has adopted a quantitative approach in determining the risk appetite, reflecting and balancing goals for growth, return and risk. Risk appetite is directly related to strategy. It is considered in strategy setting, where the desired return from strategy should be aligned with the risk appetite.
- II. Defining a risk as acceptable does not imply that the risk is insignificant. The assessment should take into account of the degree of control over each risk, the cost impact, benefits and opportunities presented by the risk and the importance of the policy, project, function or activity.
- III. Risk appetite is defined as the extent of willingness to take risks in the pursuit of the business objectives.
- IV. TLM may consider risk appetite qualitatively, with such categories as high, moderate or low, or they may take a quantitative approach, reflecting and balancing goals for capital expenditure, budgets and risk. TLM's risk appetite guides resource allocation.
- V. Management allocates resources across departments and functional areas with consideration to TLM's risk appetite and individual strategy for ensuring that expenditure remains within the budget of TLM and that the objectives are met. Management considers its risk appetite as it aligns its resources and designs infrastructure necessary to effectively respond to and monitor risks:

- Enables an improved consistency of decision making at all levels through improving risk understanding;
- Provides a framework for knowingly taking risk within defined boundaries;
- Improves the ability of the Audit & Risk Committee to challenge recommendations of management by providing a benchmark of what level of risk is defined as acceptable; and
- Derives real value from the assessment of risk over and above compliance purposes.

VI. The risk appetite decided upon should be formally considered as part of the setting of business strategy, with capital expenditure and other strategic decisions reviewed against it as they arise. As risk appetite is unlikely to be reduced to a single measurement, TLM needs to decide on the key measurements of risk that are best aligned to its business objectives and in most cases risk appetite will be defined by a mixture of quantitative and qualitative elements.

VII. The key determinants of risk appetite are as follows:

- Expected performance;
- The resources needed to support risk taking;
- The culture of TLM;
- Management experience along with risk and control management skills;
- Longer term strategic priorities;

VIII. The formulation of the risk appetite is typically closely aligned to the strategic planning process and is also inclusive of budgeting, and as such is something that should be reviewed by management annually.

IX. TLM's risk appetite then represents the amount of risk TLM is willing to accept as it seeks to achieve its business objectives.

- X. Risk appetite is communicated through the strategic and implementation plans at both strategic and operational levels. The Audit & Risk Committee and management will monitor the risk appetite of TLM relative to TLM's actual results and communicate any actions required as a result. TLM reflects its Risk Appetite at an operational level through its Delegations of Authority to management.
- XI. These delegated limits are made in respect of both financial and non-financial matters, which are then further delegated within each department and functional area. The following risk appetite diagnostics may be considered:
- a) Cash flow;
 - b) Development events;
 - c) Clarity of strategy;
 - d) Risk-taking propensity of management;
 - e) Resources at risk;
 - f) Exposure to market forces; Investment in Information Technology; Stagnation corrections/interventions;
 - g) Customer orientation of service design; and
 - h) Internal and external rate of change.

h) Risk Tolerance Level

TLM's Risk Tolerance can be defined as the amount of risk the municipality can actually accept:

1. Acceptable risks
 - a) All personnel should be willing and able to take calculated risks to achieve their own and TLM's objectives and to benefit TLM. The associated risks of proposed actions and decisions should be properly identified, evaluated and managed to ensure that exposures are acceptable.
 - b) Within the TLM, particular care is needed in taking any action which could:
 - i. Impact on the reputation of TLM;
 - ii. Impact on performance;
 - iii. Undermine the independence and objective review of activities;

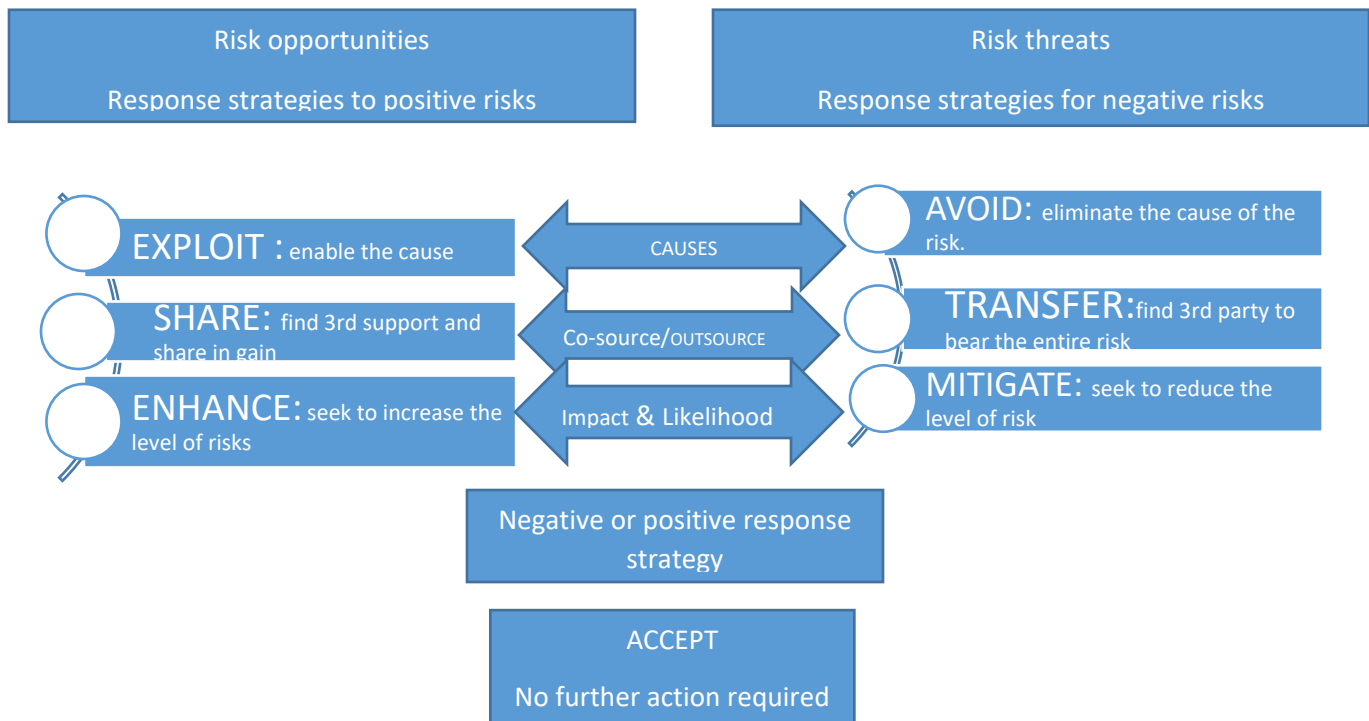
- iv. Result in fine by regulatory bodies and
 - v. Result in financial loss
- c) Any impact or opportunity which has a sizeable potential impact on any of the above should be examined, its exposures defined and it should be discussed with the appropriate line manager. Where there is significant potential and high likelihood of occurrence it should be referred to the Audit, Performance and Risk committee.

2. Prohibited Risks

TLM policies and guidelines and other control procedures are mandatory and must be complied with e.g. MFMA. Full compliance with these standards is required and confirmation of compliance. Non-compliance constitutes an unacceptable risk.

5.1.3 RISK TREATMENT

In responding to risks the Municipality will use the following four strategies to mitigate risks to an acceptable level as indicated in the table below. This process will guide management in documenting action plans and implementation target dates which will further treat residual risk.



5.1.4 RISK MONITORING

Risk Monitoring will be conducted monthly to track progress on the implementation of action plans employed to further reduce risks or enhance opportunities. The risk management will communicate the risk monitoring template to all departments' heads (risk owners) for completion of progress made for that specific quarter. Then return the completed templates on the due date indicated to risk management unit for consolidation and updating of the risk profile.

There will be no session for this activity unless the head of the department request the Manager: Internal Audit and Risk to facilitate or provide guidance regarding the activity process.

5.1.5 RISK COMMUNICATION AND CONSULTATION

To ensure that risk management processes are carried out effectively within the municipality the Manager: Internal Audit and Risk will regularly communicate and consult will all the relevant parties. This process calls for management buy-in to risk management

process as it is depended on the availability of personnel at all levels and provision of pertinent information. All risk management activities will be communicated with management to ensure that the risk profile is complete, relevant, and accurate.

Management can also consult with risk management unit as and when assistance is sought and can communicate and consult with the Risk and Compliance Office should such need arise. This includes emerging risks that are identified and any changes in processes, policies, structure, etc. should also be communicated.

6 FRAUD MANAGEMENT

The Manager: Internal Audit and Risk will review fraud prevention plan annually which will be reviewed and recommended by Audit, Performance and Risk committee for approval by Council.

6.1 MEASURES FOR COMBATING FRAUD, CORRUPTION, FAVORITISM AND UNFAIR AND IRREGULAR PRACTICES IN MUNICIPAL SUPPLY CHAIN MANAGEMENT.

a) Commitment to serving the public interest:

An official of the municipality is a public servant in a developmental local system, and must accordingly—

foster a culture 'of commitment to serving the public and a collective sense of responsibility for performance in terms of standards and 'targets;

promote and seek to implement the basic values and principles of public administration described in section 195 (1) of the Constitution

obtain copies of or information about the municipality's integrated development plan, and as far as possible within the ambit of the official's job description, seek to implement the objectives set out in the integrated development plan, and achieve the performance targets set for each performance indicator;

participate in the overall performance management system for the municipality, as well as the official's individual performance appraisal and reward system, in order to maximize the ability of the municipality as a whole to achieve its objectives and improve the quality of life of its residents.

b) Personal gain

An official of the municipality may not—

use the position or privileges or confidential information obtained as an official for private gain or to improperly benefit another person: or

take a decision on behalf of the municipality concerning a matter in which that official or that official's spouse or partner or business associate, has a direct or indirect personal or private business interest.

Except with the prior consent of the council of a municipality an official of the municipality may not—

(a) be a party to a contract for—

(i) the provision of goods or services to the municipality; or

(ii) the performance of any work for the municipality otherwise than as a
official;

obtain a financial interest in any business of the municipality; or

be engaged in any business, trade or profession other than the work of the municipality, unless permission is granted by the MM/Council.

c) Disclosure of benefits

An official of a municipality who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality, must disclose in writing full particulars of the benefit to the Accounting Officer and to the Council within 24 hours after receiving any formal confirmation of such information.

This item does not apply to a benefit which an official, a spouse, partner, business associate or close family member, has or acquires in common with all other residents of the municipality.

d) Unauthorized disclosure of information

An official of a municipality may not without permission disclose any privileged or confidential information obtained as an official to an unauthorised person.

For the purpose of this item “privileged or confidential information” includes any Information:

- (a) Determined by the municipality’s council or any structure or functionary of the Municipality to be privileged or confidential;
- (b) Discussed in closed session by the council or a committee of the council;
- (c) Disclosure of which would violate a person’s right to privacy; or
- (d) Declared to be privileged, confidential or secret In terms of any law.
- (e) This item does not derogate from a person’s right of access to information in terms of national legislation.

e) Undue influence

An official of a municipality may not-

- (a) unduly influence or attempt to influence the council of the municipality, or a structure or functionary of the council with a view to obtaining any appointment, promotion, privilege, advantage or benefit, or for a family member, friend or associate;
- (b) mislead or attempt to mislead the council, or a structure or functionary of the council, in its consideration of any matter: or
- (c) be involved in a business venture with a councilor without the prior written consent of the council of the municipality.

f) Rewards, gifts and favors

An official of a municipality may not request, solicit or accept any reward, gift or favor for-

- (a) persuading the council of the municipality or any structure or functionary of the council, with regard to the exercise of any power or the performance of any duty;
- (b) making a representation to the council, or any structure or functionary of the council;
- (c) disclosing any privileged or confidential information: or

(d) doing or not doing anything within that official's powers or duties

An official must without delay report to his/her Director or the Manager: Human Resources any offer which if accepted by the official would constitute a breach.

7 ACCOUNTABILITY, ROLES, AND RESPONSIBILITIES

Section 3 of the Local Government Risk Management Framework (LGRMF) outlines the roles and responsibilities of different stakeholders and the Municipality complies as follows:

7.1 Members of Council

In line with LGRMF section 3(21);

(1) The Council should take an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the Institution against significant risks.

(2) Responsibilities of the Council in risk management should include:

a) ensuring that the Institutional strategy and objectives are aligned to the government mandate and community's priorities;

b) insisting on the achievement of objectives, effective performance management and value for money.

c) understand the Institution's risk profile;

d) being aware of and concurring with the Institution's risk appetite;

e) understanding the priority risks, especially those where Council can play a role in risk mitigation without interfering with the mandate of the Accounting Officer; f) obtaining

assurance from management that the Institution's strategic choices were based on a rigorous assessment of risk;

g) obtaining assurance that priority risks inherent in the Institution's strategies were identified and assessed, and are being properly managed;

h) assisting the Accounting Officer with fiscal, intergovernmental, political and other risks beyond his/her control and influence; and

(3) When other agencies deliver services, Council must retain power and ensure that delegated functions are performed properly within a clear policy framework and legal contracts.

7.2 Accounting Officer

In line with LGRMF section 3(22);

(1) The Accounting Officer is the ultimate Chief Risk Officer of the Institution, assumes ownership of risk management and is accountable for the Institution's overall governance of risk;

(2) The Accounting Officer may delegate the responsibilities for developing and maintaining an effective and efficient system of risk management as set out in paragraph 25 to a competent Chief Risk Officer but maintains accountability.

(3) The Accounting Officer sets the tone for integrity, ethics and other factors of the control environment in the Institution.

(4) High level responsibilities of the Accounting Officer should include:

a) setting an appropriate tone by supporting and being seen to be support the Institution's aspirations for effective risk management;

- b) delegating responsibilities for risk management to Management and internal functions such as the Risk Management Committee, Fraud Prevention Committee, Finance Committee, Information and Communication Technology Committee, and holding them accountable;
- c) holding Management accountable for designing, implementing, monitoring and integrating risk management into their day-to-day activities;
- d) providing leadership and guidance to enable Management and internal structures responsible for various aspects of risk management to properly perform their functions;
- e) ensuring that the control environment supports the effective functioning of risk management as discussed in Chapter 3;
- f) considering the inputs and recommendations of the Audit Committee and Risk Management Committee, approve: i. the risk management policy, strategy, and implementation plan; ii. the fraud prevention policy, strategy and implementation plan iii. risk appetite framework
- g) devoting personal attention to overseeing management of the priority risks; h) leveraging the Audit Committee, Internal Audit, Auditor-General and Risk Management Committee for assurance on the effectiveness of risk management;
- i) ensuring appropriate action in respect of the recommendations of the Audit Committee, Internal Audit, Auditor-General and Risk Management Committee to improve risk management; and
- j) providing assurance to relevant stakeholders that priority risks are properly identified, assessed and mitigated.

7.3 Audit, Performance and Risk Committee

7.3.1) In line with LGRMF section 3(23 & 24) ;

(1) The Risk Management Committee is appointed by the Accounting Officer to assist in the discharge of their responsibilities for risk management.

(2) The membership of the Risk Management Committee should comprise both management and external members with the necessary blend of skills, competencies and attributes, including the following critical aspects:

a) an intimate understanding of the Institution's mandate and operations;

b) the ability to act independently and objectively in the interest of the Institution; and c) a deep understanding of risk management principles and their application.

(3) The chairperson of the Risk Management Committee should be an independent external person, appointed by the Accounting Officer.

(4) The responsibilities of the Risk Management Committee should be formally defined in a charter approved by the Accounting Officer.

(5) In discharging its governance responsibilities relating to risk management, the Risk Management Committee should:

a) review and recommend for the Approval of the Accounting Officer, the:

(i) risk management policy;

(ii) risk management strategy and implementation plan;

(iv) risk appetite framework;

b) evaluate the extent and effectiveness of integration of the risk management framework within the Institution;

c) evaluate the effectiveness of the mitigating strategies implemented to address the priority risks of the Institution;

- d) review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;
- e) develop key performance indicators for its own performance for approval by the Accounting Officer;
- f) collaborate with the Audit Committee on all matters concerning risks and risk management; and
- g) provide timely and useful reports to the Accounting Officer and Audit Committee on the state of risk management, together with recommendations to address any deficiencies identified.

.7.4 Manager: Internal Audit and Risk

In line with LGRMF section 3(25);

(1) The primary responsibility of the Manager: Internal Audit & Risk is to bring to bear his / her specialist expertise to assist the Institution to embed risk management and leverage its benefits to enhance performance.

(2) The high-level responsibilities of the Manager: Internal Audit & Risk should include:

- a) being responsible for the Risk Management Unit and other delegations by the Accounting Officer;
- b) working with senior management to develop the Institution's vision for risk management;
- c) developing, in consultation with management, the Institution's risk management framework incorporating, inter alia, the:
 - (i) risk management policy;

- (ii) risk management strategy and implementation plan;
 - (iv) risk identification and assessment methodology;
 - (v) risk appetite; and
 - (vi) risk classification.
- d) determining, implementing and maintaining effective risk management infrastructure, policies, procedures and processes;
- e) communicating the Institution's risk management framework to all stakeholders in the Institution and monitoring its implementation;
- f) ensuring that the Audit; Performance & Risk Management Committee and senior management are adequately appraised and trained on current and emerging risk management concepts and principles;
- g) establishing, communicating and facilitating the use of appropriate risk management methodologies, tools and techniques;
- h) facilitate training for all stakeholders in their risk management functions;
- i) assisting Management with risk identification, assessment and development of response strategies, and monitoring implementation thereof;
- j) working with management and staff to establish and maintain effective risk management in their areas of responsibility, including the reform of internal processes and policies to incorporate elements and practice of risk management at the operational/functional level;
- k) collating, aggregating, interpreting and analyzing the results of risk assessments to extract risk intelligence;

- l) reporting risk intelligence to the Accounting Officer, Management and the Audit; Performance & Risk Management Committee;
- m) monitoring the Institution's risk profile, ensuring that major risks are identified and reported upwards;
- n) facilitating Institution-wide risk evaluation and monitoring the capabilities around the management of the major risks;
- o) participating with Internal Audit, Management and Auditor-General in developing the combined assurance plan for the Institution;
- p) overseeing the Risk management Unit's participation in the combined assurance process;
- q) drafting the risk management disclosures for the annual financial statements and annual report for approval by the Accounting Officer;
- r) and
- s) continuously driving risk management to higher levels of maturity;

;7.5 Risk and Compliance Officer

The primary responsibility of the Compliance and Risk Officer is to bring to bear his / her specialist expertise to assist the Municipality to embed risk management and leverage its benefits to enhance performance; others include the following:

- working with Manager: Internal Audit and Risk to develop the Municipality's vision for risk management;
- Developing, in consultation with management the Municipality's risk management framework incorporating, inter alia, the:
 - Risk Management Policy;

- Risk Management Strategy;
- Risk Management Implementation Plan;
- Risk Appetite and Tolerance.
- Communicating the Municipality's risk management framework to all stakeholders in the Municipality and monitoring its implementation;
- Assisting Management with risk identification, assessment and development of response strategies;
- Monitoring the implementation of the response strategies;
- Reporting to the Municipal Manager, Management and Audit, Performance and Risk committee; and
- Participating with Internal Audit, Management and Auditor-General in developing the combined assurance plan for the Municipality.
- Providing assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated.

7.6 Management

In line with LGRMF section 3(26);

(1) Management is ultimately accountable for managing risks within their areas of responsibilities, for executing their responsibilities outlined in the risk management strategy and integrating risk management into the operational routines by modifying policies, procedures as well as performance and reward criteria to align to the risk management imperative.

(2) High level responsibilities of Management should include:

- a) executing their responsibilities as set out in the risk management strategy;
- b) empowering officials to perform effectively in their risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;
- c) aligning the functional risk management methodologies and processes with the Institutional process;

- d) devoting personal attention to overseeing the management of priority risks within their area of responsibility;
- e) maintaining a co-operative relationship with the Risk Management Unit;
- f) providing risk management reports;
- g) reporting to the Risk Management and Audit Committees as may be requested;
- h) maintaining the proper functioning of the control environment within their area of responsibility;
- i) monitoring risk management within their area of responsibility; and
- j) holding officials accountable for their specific risk management responsibilities.

7.7 Risk Champion

In line with LGRMF section 3(28);

(1) The Risk Champion is a person with the skills, knowledge, leadership qualities and power of office required to champion a particular aspect of risk management.

(2) A key part of the Risk Champion's responsibility should involve intervening in instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of institutional skills and expertise.

(3) The Risk Champion should also add value to the risk management process by providing guidance and support to manage "problematic" risks and risks of a transversal nature that require a multiple participant approach.

(4) In order to fulfil his/her function, the Risk Champion should possess:

- a) a good understanding of risk management concepts, principles and processes;
- b) good analytical skills;
- c) expert power;

d) leadership and motivational qualities; and

e) good communication skills.

(5) The Risk Champion should not assume the role of the Risk Owner but should assist the Risk Owner to resolve problems.

(6) Some of the roles and responsibilities of the Risk Champion may also include:

a) Advocating the culture of change and adopting risk management as a professional discipline to be adopted in every day management of activities and to strategically influence the current way of doing things which is compliance driven;

b) Educating the stakeholders of the importance of managing risk in dealing with public funds, the responsibility that goes beyond meeting the requirements of meeting the requirements of financial management prescripts but most importantly impacting positively service delivery;

c) Communicating the right message and driving this message to influence behavior and discipline in getting the basics right. This extends further to ensuring the use of a common risk management language and consistent messages in all communications, and

d) Informing the users and stakeholders of current demands, need to improve, what to improve and how to improve to leave the legacy that goes beyond compliance but continuous improvement of accountability and service delivery.

(7) A key part of the Risk Champion's responsibility should involve intervening in and escalating instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of institutional skills and expertise.

7.8 Other Officials

In line with LGRMF section 3(27);

(1) Other officials are responsible for integrating risk management into their day-to-day activities.

(2) High level responsibilities of other officials should include:

a) applying the risk management processes in their respective functions;

b) implementing the delegated action plans to address the identified risks;

c) informing their supervisors and/or the Risk Management Unit of new risks and significant changes in risks;

d) escalating instances where management of risk is beyond their control; and

e) co-operating with other role players in the risk management process and providing information as required.

7.9 Internal Audit

In line with LGRMF section 3(29);

(1) The role of the Internal Auditing in risk management is to provide an independent, objective assurance on the effectiveness of the Institution's system of risk management.

(2) Internal Auditing must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

(3) Internal Auditing must develop its internal audit plan on the basis of the key risk areas.

(4) In terms of the International Standards for the Professional Practice of Internal Audit,

determining whether risk management processes are effective is a judgment resulting from the Internal Auditor's assessment that:

- a) Institutional objectives support and align with the Institution's mission;
- b) significant risks are identified and assessed;
- c) risk responses are appropriate to limit risk to an acceptable level; and
- d) relevant risk information is captured and communicated in a timely manner to enable the Accounting Officer, Management, the Risk Management Committee and other officials to carry out their responsibilities.

(5) In cases where Internal Auditing and Chief Risk Officer roles are combined, the risk management responsibilities include:

- a) assisting Management to develop the risk management policy, strategy and implementation plan;
- b) coordinating risk management activities;
- c) facilitating identification and assessment of risks;
- d) recommending risk responses to Management; and
- e) developing and disseminating risk reports.

(6) When assisting Management in establishing or improving risk management processes, Internal Auditing must refrain from assuming management responsibilities for risk management, as well as auditing the risk management function.

7.10 External Auditors

In line with LGRMF section 3(30);

(1) The Auditor-General provides an independent opinion on the effectiveness of risk management as part of the regularity audit.

(2) In providing the audit opinion, the Auditor- General usually focuses on:

a) determining whether the risk management policy, strategy and implementation plan are in place and are appropriate;

b) assessing the implementation of the risk management policy, strategy and implementation plan;

c) reviewing the risk identification process to determine if it is sufficiently robust to facilitate the timely, correct and complete identification of significant risks, including new and emerging risks;

d) reviewing the risk assessment process to determine if it is sufficiently robust to facilitate timely and accurate risk rating and prioritization; and

e) determining whether the management action plans to mitigate the priority risks are appropriate, and are being effectively implemented.

(3) The Auditor-General will also probe the root causes of audit findings and flag the related risks.

7.11 National Treasury

In line with LGRMF section 3(31);

1) The National Treasury's functions in terms of sections 5(2) and section 34 of the MFMA enjoins it to: a) prescribe uniform norms and standards;

b) monitor and assess the implementation of the MFMA;

c) assist Institutions in building their capacity for efficient, effective and transparent financial management; and d) enforce the MFMA.

(2) The National Treasury should therefore monitor and assess the implementation of risk management in municipalities, and share with them the results of its monitoring to the extent that those results may assist the municipality in improving its risk management.

(3) With respect to capacity building, the National Treasury should assist municipalities and municipal entities in building their capacity for efficient, effective and transparent risk management.

(4) The National Treasury should also enforce the requirement for effective risk management when a municipality fails to address deficiencies in its system of risk management that have been communicated by the Auditor-General, National or Provincial Treasury, Audit Committee, or other competent authority.

(5) In addition, the National Treasury may do anything further that is necessary to fulfil its responsibilities effectively

7.12 Provincial Treasury

In line with LGRMF section 3(32);

(1) The Provincial Treasury has specific functions in terms of sections 5(4) and 34 of the MFMA to:

a) prescribe uniform norms and standards;

b) monitor and assess the implementation of the MFMA;

c) assist Institutions in building their capacity for efficient, effective and transparent financial management; and

d) assist the National Treasury to enforce compliance.

(2) The Provincial Treasury should therefore monitor and assess the implementation of risk management in municipalities, and share with them the results of its monitoring to the extent that those results may assist the municipality in improving its risk management.

(3) With respect to capacity building, the Provincial Treasury should assist municipalities and municipal entities in building their capacity for efficient, effective and transparent risk management.

(4) The Provincial Treasury should also enforce the requirement for effective risk management when a municipality fails to address deficiencies in its system of risk management that have been communicated by the Auditor-General, National or Provincial Treasury, Audit Committee, or other competent authority. (5) In addition, the Provincial

(5) In addition, the Provincial Treasury may do anything further that is necessary to fulfil its responsibilities effectively.

7.13 Municipal Public Accounts Committee

In line with LGRMF section 3(34);

(1) The Municipal Public Accounts Committee is established through section 79 of the Municipal Structures Act in order to promote transparency, accountability, good governance, effective financial management, and quality service delivery at municipalities.

(2) Its primary function in relation to risk management is:

a) To consider and evaluate the risk management content contained in the annual report and to make recommendations to Council when adopting an oversight report on the annual report;

b) Review information relating to past recommendations made on the Annual Report on risk management including the quarterly and mid-year reports;

c) Examine audit reports of the municipality, taking into consideration improvements from previous reports and must evaluate the extent to which the Audit Committee; Performance & Risk Committee's and the Auditor General's recommendations relating to risk management have been implemented; and d)

To perform any other functions assigned to it through a resolution of Council within its area of responsibility.

7.14 Department of Cooperative Governance

In line with LGRMF section 3(36);

(1) Supporting the risk management policies, strategies and activities that enhance the delivery of municipal services to the right quality and standard.

(2) Promote good governance, transparency and accountability, ensures sound financial management and accounting.

7.15 South African Local Government Association

In line with LGRMF section 3(37);

(1) Providing ideas, advice, political insight, and support on risk management related issues, including risk management training for councilors.

7.15 Executive Committee

In line with LGRMF section 3(38);

The Executive Committee (EXCO) has a duty to monitor financial and performance management against the Municipality's objectives and/or mandate.

(2) EXCO is responsible for overseeing the day-to-day implementation of the Municipality's policies and making sure that the Municipality's oversight structures are establishing and maintaining good governance practices.

(3) Furthermore, the EXCO also has risk management duties to:

- a) Endorse risk management strategies and plans for approval, especially areas identified as high risks;
- b) Make inputs to the strategic direction of the Municipality when risk management is concerned; and c) Identify and communicate to the Accounting Officer opportunities and emerging risks affecting the Municipality.

7.16 Chief Financial Officer _ Budget\Treasury Office

In line with LGRMF section 3(39);

(1) The Chief Financial Officer (CFO) has a duty to that the financial resources needed to manage the institutional risks are available, by:

- a) Driving a risk-based budgeting system and ensuring that the budget process is aligned to risk management.

- b) Ensuring risk reporting in the budget reports.

(2) The CFO also needs to ensure that the critical risks within the financial environment are identified, assesses and managed; and should also champion risk management within the financial environment to deal with the institution's financial risks.

8 STRATEGIC PLANNING UNIT

40. Evaluation of value add

(1) Evaluation of risk management effectiveness is vital to maximise the value proposition of risk management.

(2) Institutions should strive to incrementally and sustainably achieve a mature risk management regime in order to optimise the benefits of risk management.

(3) Institutions should periodically evaluate the value add of risk management by measuring outcomes against pre-set key performance indicators aligned to the overall goals and objectives of the Institution.

(4) Institutions should utilise the Financial Management Maturity Capability Model developed by the National Treasury to evaluate their current and progressive risk management maturity.

41. Performance Indicators

(1) Everyone in the Institution has a part to play in achieving and sustaining a vibrant system of risk management and to that extent must function within a framework of responsibilities and performance indicators.

(2) The Accounting Officer should evaluate his/her own performance in leading the risk management process in the Institution through the following and other relevant indicators:

a) the risk management maturity trend as measured in terms of an appropriate index such as the Financial Capability Maturity Model;

b) the Institution's performance against key performance indicators and targets, including comparison of year-on-year performance;

c) percentage change in unauthorised expenditure, fruitless and wasteful expenditure and irregular expenditure based on year-on-year comparisons;

d) percentage change in fraud and corruption based on year-on-year comparisons

e) percentage change in incidents based on year-on-year comparisons; and

f) comparison of year-on-year outcomes of regularity and performance audits.

(3) Insofar as it concerns the responsibilities of the Audit; Performance and Risk Committee for risk management, the Accounting Officer should evaluate the performance of the Committee through the following and other relevant indicators:

a) the Auditor-General's report on the effectiveness of the Audit; Performance and Risk Committee;

b) the results of the Audit Committee's own 360-degree assessment;

c) the Committee's co-ordination of combined assurance; and

d) the quality and timeliness of the Audit Committee's counsel and recommendations on matters concerning the system of risk management.

(4) The Accounting Officer should evaluate the performance of the Audit; Performance and Risk Committee

through the following and other relevant indicators:

- a) the results of the Risk Management Committee's own 360-degree assessment;
- b) the pace and quality of the implementation of the risk management framework;
- c) the Internal Audit report on the state of risk management;
- d) the Auditor-General's report on the effectiveness of the Audit; Performance and Risk Committee; and
- e) the quality and timeliness of the Audit; Performance and Risk Committee's counsel and recommendations.

(5) The Accounting Officer, in consultation with the Audit; Performance and Risk Committee, should evaluate the

performance of the Chief Risk Officer through the following and other relevant indicators:

- a) development and implementation of the risk management policy, strategy and implementation plan;
- b) the Institution's collective awareness, skill and participation in risk management;
- c) risk management maturity;
- d) quality and timeliness of support to Management, other officials and the Audit; Performance & Risk Management Committee; and
- e) quality and timeliness of risk intelligence.

(6) The Accounting Officer should evaluate the performance of Management through the following and other relevant indicators:

- a) business unit performance against key indicators, including comparison of year-on-year performance;
- b) implementation of risk management action plans;
- c) co-operation with the Risk Management Unit, Audit; Performance and Risk Committee, Risk Champion and relevant stakeholders involved in risk management;
- d) quality and timeliness of risk identification, assessment and reporting;
- e) proactive identification of new and emerging risks;
- f) year-on-year reduction in adverse incidents and losses;
- g) elimination of unauthorised expenditure, fruitless and wasteful expenditure and irregular expenditure;

h) reduction in fraud; and

i) progress in securing improved Internal Audit and Auditor-General outcomes in regularity and performance audits

(8) Insofar as it concerns the responsibilities of Internal Auditing for risk management, the Accounting Officer should evaluate the performance of Internal Auditing through the following and other relevant indicators:

a) timeliness and quality of assurance on risk management;

b) timeliness and quality of recommendations to improve risk management; and

c) adoption of risk-based auditing.

(9) Management should evaluate the performance of their staff through the following and other relevant indicators.

a) implementation of risk management action plans.

9 DISCLOSURE

9.1 In order for risk management to work, it must be embedded into everyday activities of the TLM. It should be integrated into the reporting process. Risk should be part of every decision that is made, every objective that is set and every process that is designed. Risk management will be integrated into the reporting process of managers in strategic planning meetings of the TLM that are held on a quarterly basis.

9.2 Every manager shall on a quarterly basis and during the strategic planning meetings of TLM disclose that:

a) he /she is accountable for the process of risk management and the systems of internal control which are regularly reviewed for effectiveness, and in establishing appropriate risk and control policies and communicating this throughout the office.

b) there is an on-going process for identifying, evaluating and managing the significant risks faced by the directorate concerned.

- c) there is an adequate and effective system of internal control in place to mitigate the significant risks faced by the directorate concerned to an acceptable level.
- d) there is a documented and tested process in place which will allow the directorate to continue its critical business process in the event of disastrous incident impacting on its activities. This is commonly known as business continuity plan and should cater for worst-case scenario.
- e) that the directorate complies with the process in place, established to review the system of internal control for effectiveness and efficiency.
- f) Where the Manager cannot make any of the disclosures set out above, he should state this fact and provide a suitable explanation.

10 CONCLUSION

Risk Management is a powerful management tool to deal with uncertainties in the environment, and to establish preventative mechanism to enhance service delivery, while narrowing the scope of corruption, misconduct and unethical professional behavior.

It is also an effective decision-making tool, to assist management to take the correct decisions in an uncertain environment. The development of a culture of risk management and specific procedures for implementation will assist public servants to focus on risk analysis and response. This will improve the quality of strategic plans, which will assume both predictive and preventative dimensions.

To this end, the TLM takes full responsibility to ensure that implementation of risk management takes place in all directorates. This strategy will be reviewed annually or when the need arises.

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