TSWELOPELE
LOCAL MUNICIPALITY
A MUNICIPALITY IN PROGRESS

TSWELOPELE LOCAL MUNICIPALITY
RISK MANAGEMENT POLICY
&
STRATEGY

2026/2027

FINANCIAL YEAR

TABLE OF CONTENT

SECTION A – RISK MANAGEMET POLICY

SECTION B – RISK MANAGEMENT STRATEGY

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 V: Governance Outcomes: The governance outcomes contemplated in the King V Code Namely Ethical Culture, Performance and Sustainable Value Creation, Conformance and Prudent Control, and Legitimacy.

1.16 Ethical Culture: A culture characterized by integrity, accountability, fairness, transparency and responsible decision-making at all levels of the Municipality.

1.17 Sustainable Value Creation: The process of creating long-term value through responsible governance, effective risk management and consideration of economic, social and environmental impacts.

1.18 Technology and Information Governance: Governance arrangements designed to support the achievement of strategic objectives through responsible and effective management of technology, information and digital assets.

1.19 Stakeholder Inclusivity: The balancing of the legitimate needs, interests and expectations of stakeholders in the execution of the Municipality's mandate.

1.20 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.

1.21 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.

1.22 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.

1.23 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.

1.24 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).

1.25 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.

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

1.27 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.

1.28 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 V;
- 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 commits to applying governance practices that support Ethical Culture, Performance and Sustainable Value Creation, Conformance and Prudent Control, and Legitimacy 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. To promote ethical leadership and an ethical culture within TLM in support of good governance principles.
10. To create and protect sustainable value through responsible governance and risk management practices.
11. To ensure effective governance of technology and information in support of service delivery and organizational objectives.
12. To strengthen stakeholder confidence, transparency and legitimacy through effective governance and risk management practices.
13. 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. Risk management shall support ethical and effective leadership by promoting integrity, accountability, transparency and responsible decision-making.
8. Risk management shall support sustainable development and integrated thinking through consideration of economic, environmental and social impacts.
9. Risk management activities shall consider stakeholder interests and the Municipality's responsibility towards communities and service beneficiaries.

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. • The Council shall oversee and monitor governance outcomes and obtain assurance that risk management contributes towards ethical culture, prudent control, performance and legitimacy.
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. • The Committee shall monitor the adequacy and effectiveness of combined assurance activities and ensure alignment between risk management, internal audit and external assurance providers. • The Committee shall periodically assess its effectiveness and performance in accordance with the approved charter and governance requirements.

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. • The Municipal Manager shall establish and maintain an appropriate ethical culture and set the tone at the top to ensure effective risk governance practices.
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. • Internal Audit shall provide independent assurance on the effectiveness of governance, risk management, ethics management and internal control processes.
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.

8.13 Risk management reporting shall support integrated reporting principles and include disclosure of strategic, operational, ESG, fraud, compliance and emerging risks.

8.2 REPORTING BY THE AUDIT, PERFORMNCE 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

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 or risks
- A consistent view of the risk profile within the Municipality

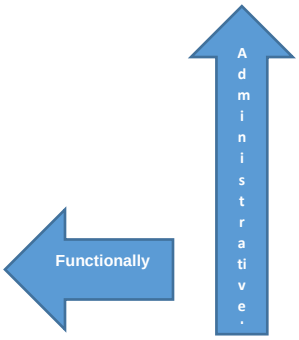
3. OBJECTIVES

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

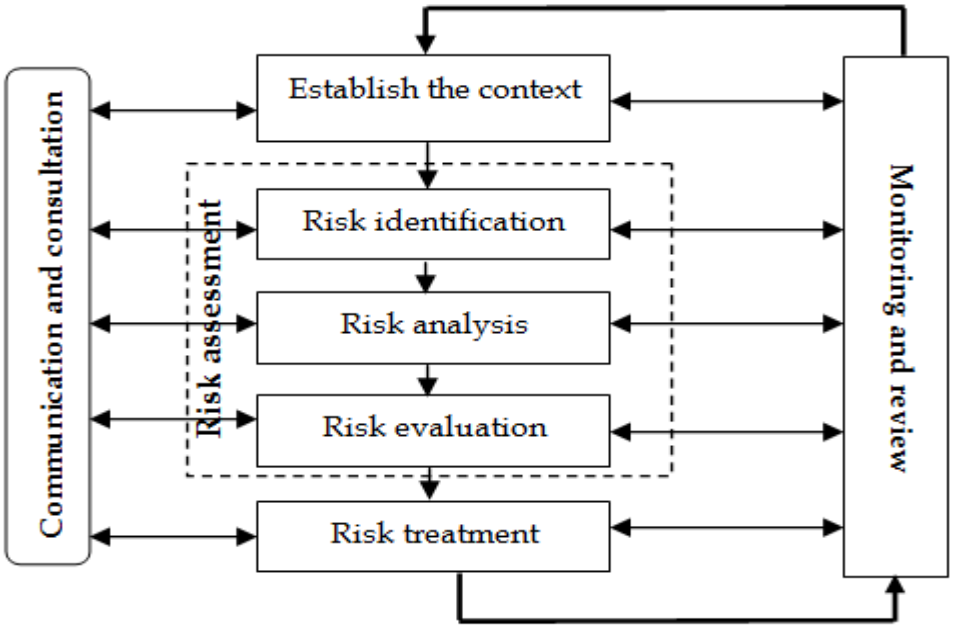
The risk management unit is placed in the office of the MM and the Manager: Internal Audit and Risk reports directly to the Municipal Manager, and reports functionally to the Audit, Performance and Risk Committee quarterly.




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 OFFFICERS
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 shall continuously identify and assess emerging risks arising from changing legislative, economic, technological, environmental and social conditions. 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	Risks that relate to the human resources of an organization. These risks can have an effect on an entity's human capital with regard to: - Integrity and honesty - Skills and competence - Retention - Motivation and morale
2	Knowledge/Information Management	Risks related to an organisation's management of knowledge and information Example: - Availability of information - Integrity of information and data - Retention - Safeguarding
3	Litigation	Risk that an organisation might suffer losses due to litigation and lawsuits against it. Losses from litigation can emanate from: - 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**	**Risks associated with the misuse, physical damage, theft and under-utilisation and wastage of an organization's assets.**
5	**Service Delivery**	**Risks related to the disruption, quality, denial, non-availability or quality of service delivery to the public.**
6	**Technology/IT**	**Technology and Information Risk:** • **Risks associated with cybersecurity,** • **Data protection,** • **Information integrity,** • **System availability,** • **Digital transformation,** • **Technology infrastructure and** • **Compliance with applicable information legislation.**

7	**Third Party Performance**	**Risks related to an organization's dependence on the performance of a third party.** **Risk in this regard is the likelihood that a service provider might not perform according to an agreement entered into with an organization.** **Non-performance could include:** **- 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**	**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.**
		- Factors to consider include:
		- Disaster management and business continuity procedures, and
		- Contingency planning
10	**Compliance/regulatory**	**Risks related to possible breaches to legislation, prescripts and regulations that an organization should comply with.**
		Aspects to consider in this regard are:
		- Failure to monitor or enforce compliance
		- Monitoring and enforcement mechanisms
		- Consequences of non-compliance
11	**Fraud and corruption**	**Risks associated with fraud and corruption practices, both by staff and external parties.**
		These include:
		- Misrepresentation for the purposes of concealing illegal acts
		- Collusion
		- Offering and/or acceptance of kickbacks

		- Nepotism
12	**Financial**	**Risks encompassing the entire scope of general financial management.**
		Potential factors to consider include:
		- Cash flow adequacy and management thereof
		- Financial losses
		- Financial statement integrity
		- Revenue collection
		- Financial planning

13	**Cultural**	**Risks relating to an organisation's overall culture and control environment.**

		The various factors related to organisational culture include:
		- 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**	**Risks related to the adverse natural environment consequences of executing an organization's strategy.**
		Factors to consider include:
		- Depletion of natural resources
		- Environmental degradation
		- Environmental contamination
18	**Environment Social Governance (ESG) Risk:**	**Risks associated with environmental, social and governance obligations that may affect municipal sustainability, compliance and reputation.**

19	**Climate risk**	**Risks arising from climate variability, natural disasters, water scarcity, environmental degradation and changing environmental conditions.**

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

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 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:

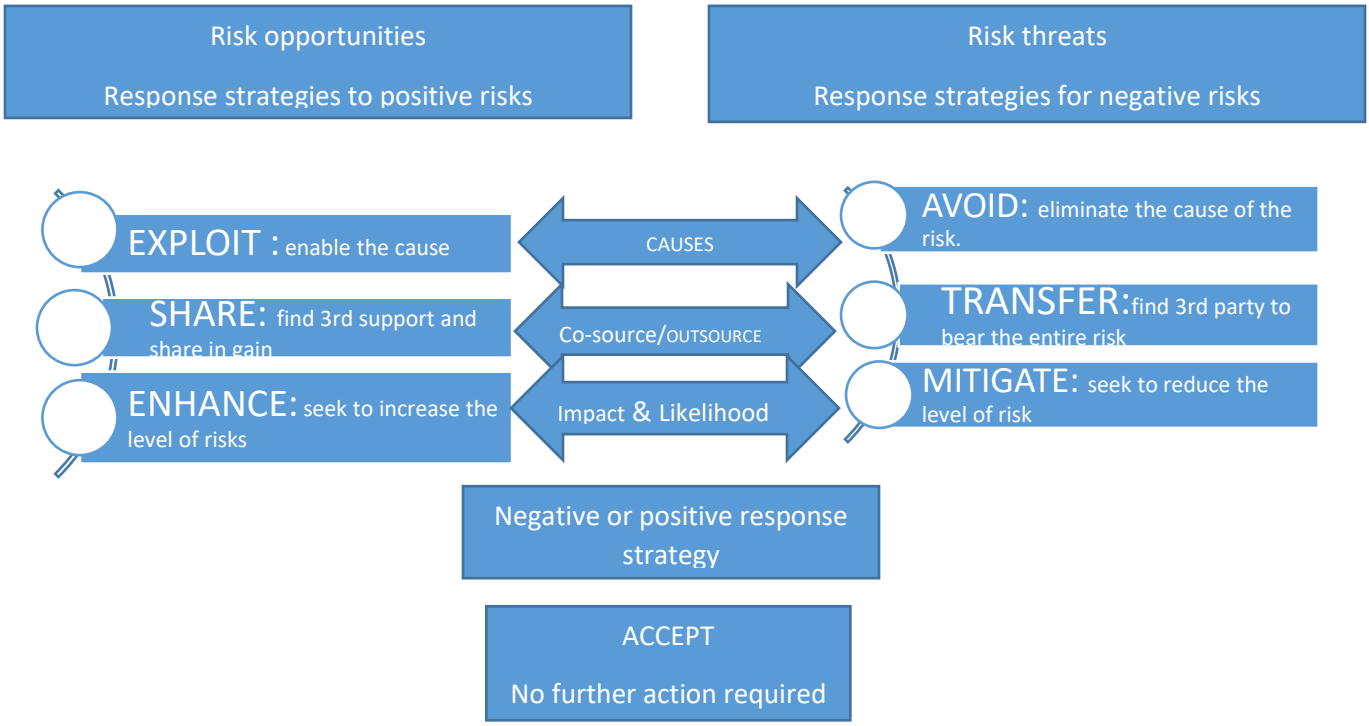
1. Acceptable risks
   a) All personnel should be willing and able to take calculated risks to achieve their own and TLM's objectives and to benefit TLM. The associated risks of proposed actions and decisions should be properly identified, evaluated and managed to ensure that exposures are acceptable.
   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.
The Municipality shall maintain and periodically test Business Continuity and Disaster Recovery Plans to ensure continuity of critical services and operational resilience.

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 fill 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 unauthorized 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 mutter: 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.

6.2 Ethics Management Framework

The Municipality shall establish and maintain an Ethics Management Framework which shall include:

- Ethics awareness programmes;
- Conflict of interest declarations;
- Gifts register;
- Whistleblowing mechanisms;
- Ethics training;
- Monitoring ethical conduct;
- Reporting unethical conduct.

7 ACCOUNTABILITY, ROLES, AND RESPONSIBILITIES

Section 3 of the Public Sector Risk Management Framework (PSRMF) outlines the roles and responsibilities of different stakeholders and the Municipality complies as follows:

7.1 Members of Council

In line with The LGRMF the Council should take 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 critical risks. Therefore, Council responsibilities are as follows:

- Ensuring that the Institutional strategy and objectives are aligned to the government mandate and community's priorities;
- Insisting on the achievement of objectives, effective performance management and value for money.
- Understand the Institution's risk profile;
- Being aware of and concurring with the Institution's risk appetite;
- Understanding the priority risks, especially those where Council can play a role in risk mitigation without interfering with the mandate of the Accounting Officer;
- Obtaining assurance from management that the Institution's strategic choices were based on a rigorous assessment of risk;
- Obtaining assurance that priority risks inherent in the Institution's strategies were identified and assessed, and are being properly managed and
- Assisting the Accounting Officer with fiscal, intergovernmental, political and other risks beyond his/her control and influence;

7.2 Accounting Officer

The LGRMF states that the Accounting Officer is the ultimate Chief Risk Officer assumes ownership of risk management and is accountable for the Institution's overall governance of risk. Thus, the risk management responsibilities of the Municipal Manager are as follows:

- Setting an appropriate tone by supporting and being seen to be supporting the Municipality's aspiration for effective management of risks;
- Delegating responsibilities for risk management to Management and internal formation such as the Audit, Performance and Risk committee and other Committees that deal with finance and IT matters within the municipality;
- providing leadership and guidance to enable Management and internal structures responsible;
- ensuring that the control environment supports the effective functioning of risk management;
- considering the inputs and recommendations of the Audit, Performance & Risk Committee, approve:

  i. the risk management policy, strategy, and implementation plan;

  ii. the fraud prevention policy, strategy and implementation plan

  iii. risk appetite framework
- devoting personal attention to overseeing management of the priority risk;
- Ensuring that the Municipal Manager approves the risk management policy, strategy and implementation plan;
- leveraging the Audit, Performance & Risk Committee, Internal Audit and Auditor-General for assurance on the effectiveness of risk management;
- ensuring appropriate action in respect of the recommendations of the Audit, Performance & Risk Committee, Internal Audit and Auditor-General to improve risk management;
- providing assurance to relevant stakeholders that priority risks are properly identified, assessed and mitigated.

7.3 Audit, Performance and Risk Committee

The Audit, Performance and Risk committee is an independent Committee responsible for oversight of the Municipality's control, governance and risk management of which is governed by its charter. Therefore, it is responsible for the following:

- Reviewing and recommending disclosures on matters of risks in the annual financial statements;
- Reviewing and recommending disclosures on matters of risks and risk management in the annual report;
- Providing regular feedback to the Municipal Manager on the adequacy and effectiveness of risk management in the Municipality, including recommendations for improvement;
- 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;
- review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;
- develop key performance indicators for its own performance for approval by the Accounting Office
- Ensuring that the internal and external audit plans aligned to the risk profile of the Municipality;
- Be satisfied that the following areas are appropriately addressed;
    - Financial reporting risk, including the risk of fraud
    - Internal financial controls; and
    - IT risks as they relate to financial reporting
- The Municipal Manager established a combined the Audit, Performance and Risk committee and its other roles and responsibilities with regard to risk management activities are outlined in the Audit, Performance and Risk committee charter paragraph 12.

7.4 Manager: Internal Audit and Risk

- Communicate the risk management policy, risk management strategy and the risk management implementation plan to all the stakeholders in the Municipality;

- Setting up of the risk management structure and risk management reporting lines within the Municipality;
- Continuously driving the risk management process towards best practice;
- Coordinating risk assessments within the Municipality and directorates on an annual basis prior to the end of the financial year;
- Assisting management in developing and implementing risk responses for each identified material risk;
- Participating in the development of the combined assurance plan for the Municipality, together with internal audit and management;

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.
- Determining, implementing and maintaining effective risk management infrastructure, policies, procedures and processes
- Communicating the Municipality's risk management framework to all stakeholders in the Municipality and monitoring its implementation;
- Ensuring that the Audit; Performance; Risk Committee and senior management are adequately appraised and trained on current and emerging risk management concepts and principle;

- Establishing, communicating and facilitating the use of appropriate risk management methodologies, tools and techniques;
- Facilitate training for all stakeholders in their risk management functions;
- Assisting Management with risk identification, assessment and development of response strategies and monitoring implementation thereof;
- Monitoring the implementation of the response strategies;
- Reporting to the Municipal Manager, Management and Audit, Performance and Risk committee; and
- 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;
- collating, aggregating, interpreting and analyzing the results of risk assessments to extract risk intelligence;
- 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.
- Reporting risk intelligence to the Accounting Officer, Management and the Risk Management Committee;
- Monitoring the Institution's risk profile, ensuring that major risks are identified and reported upwards;
- Facilitating Institution-wide risk evaluation and monitoring the capabilities around the management of the major risks;
- Participating with Internal Audit, Management and Auditor-General in developing the combined assurance plan for the Institution;
- Overseeing the Risk management Unit's participation in the combined assurance process;
- drafting the risk management disclosures for the annual financial statements and annual report for approval by the Accounting Officer;

7.6 Management

Management is responsible for executing their responsibilities outlined in the strategy and for integrating risk management into their operational routines as follows:

- Executing their responsibilities as set out in the risk management strategy;
- Empowering officials to perform effectively in their risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;
- Aligning the functional risk management methodologies and processes with the Institutional process;
- Devoting personal attention to overseeing the management of priority risks within their area of responsibility;
- Maintaining a co-operative relationship with the Risk Management Unit;
- Providing risk management reports;
- Reporting to the Risk Management and Audit Committees as may be requested;
- Maintaining the proper functioning of the control environment within their area of responsibility;
- Monitoring risk management within their area of responsibility;
- Holding officials accountable for their specific risk management responsibilities;
- Providing risk management reports;
- Presenting to the Audit, Performance and Risk committee as requested;
- Maintaining the proper functioning of the control environment within their area of responsibility;
- Implementation of risk responses to address the identified risks

7.7 Risk Champion

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

7.8 Other Officials

Other Officials are responsible for integrating risk management into their day-to-day activities.

High level responsibilities of other officials should include:

- Applying the risk management process in their respective functions;
- Implementing the delegated action plans to address the identified risks;
- Informing their supervisors and/or the Risk Management Unit of new risks and significant changes in known risks;

- Escalating instances where management of risk is beyond their control; and
- Co-operating with the role players in the risk management process and providing information as required

7.9 Internal Audit

The role of Internal Audit in risk management is to provide an independent, objective assurance on the effectiveness of the Municipality's system of risk management.

- Internal Audit must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.
- Internal Audit must develop its internal audit plan on the basis of the key risk areas.
- Internal Audit shall provide independent assurance on the effectiveness of governance, risk management, ethics management and internal control processes.
- Internal Auditing must develop its internal audit plan on the basis of the key risk areas.
- 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.

7.10 External Auditors

The external Auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management; amongst others it focuses on the following:

- Determining whether the risk management policy, strategy and implementation plan are in place and are appropriate;
- Assessing the implementation of the risk management policy, strategy and implementation plan;
- Reviewing the risk identification process to determine if it sufficiently robust to facilitate the timely, correct and complete identification of significant risks, including new and emerging risks;
- Reviewing the risk assessment process to determine if is sufficiently robust to facilitate timely and accurate risk rating and prioritization; and
- Determining whether the management action plans to mitigate the key risks are appropriate, and are being effectively implemented.
- The Auditor-General will also probe the root causes of audit findings and flag the related risks.

8 STRATEGIC PLANNING UNIT

Within the context of the Risk Management Strategies of the office, Strategic Planning Unit together with the directorate(s) will be responsible for:

a) Familiarity with the overall enterprise risk management vision, risk management strategy, fraud risk management policy and risk management policy,
b) Acting within the tolerance levels set by the directorate,
c) Maintaining the functioning of the control environment, information and communication as well as the monitoring systems within their delegated responsibility,
d) Participation in risk identification and risk assessment strategic risks,

e) Reporting any risks to risk officer on a periodic and timely basis, and taking action to take advantage of, reduce, mitigate and adjusting plans as appropriate.

f) Incorporating risk managing into project management planning process.

9 COMBINED ASSURANCE

Combined assurance seeks to optimize assurance obtained from management, risk management, internal audit, external audit and other assurance providers to improve governance and strengthen control effectiveness.

9.1 FIVE LINES OF DEFENCE

The Municipality adopts a combined assurance model based on the following:

First Line of Assurance: Management; Middle Management & Council (Tone at the top);

Second Line of Assurance: Management

Third Line of Assurance: Risk & Compliance Management

Fourth Line of Assurance: Internal Audit; Provincial Treasury & External Audit

Fifth Line of Assurance: Audit; Performance & Risk Committee & Municipal Public Account Committee

10 DISCLOSURE

10.1 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.

10.2 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) The Municipality shall disclose material risks, effectiveness of risk management systems, combined assurance activities and governance outcomes within annual reporting processes.
g) 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.

The Municipality recognises that effective risk management contributes directly to achieving governance outcomes including Ethical Culture, Performance and Sustainable Value Creation, Conformance and Prudent Control, and Legitimacy in accordance with King V principles.

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.

Developed by:

L PITSO
MANAGER: INTERNAL AUDIT AND RISK **DATE**

Recommended by:

T MANELE
ACTING MUNICIPAL MANAGER **DATE**

Approved by APR Committee:

CHAIRPERSON: APRC COMMITTEE **DATE**