

# SENQU MUNICIPALITY



## RISK MANAGEMENT STRATEGY

**2023/24**

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# 1. SECTION 1: INTERPRETATION AND BACKGROUND

## 1.1 DEFINITIONS

Term	Description
Accounting Officer	The municipal manager of a municipality is the accounting officer of the municipality (National Treasury, 2003)
Adjustments Budget	Prescribed in section 28 of the Municipal Finance Management Act. The formal means by which a municipality may revise its annual budget during the year.
Assurance Provider	Assurance providers express an independent opinion on issues such as the management of risk within the municipality which serves to enhance the degree of confidence in the organisation, such as the Auditor General.
Audit Committee	An independent committee constituted to review the control, governance and risk management within the Institution, established in terms of section 77 of the PFMA, or section 166 of the MFMA.
Benchmarking	The process of comparing business processes and performance to industry bests and/or best practices from other industries
Budget	The financial plan of the Municipality.
Chief Audit Executive	A senior official within the organisation responsible for internal audit activities (where internal audit activities are sourced from external service providers; the Chief Audit Executive is the person responsible for overseeing the service contract and the overall quality of the services provided).

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Chief Risk Officer	An employee with the designation of Chief Risk Officer or an employee with the delegated responsibilities of a Chief Risk Officer. A senior official who is the head of the risk management unit.
Consequence	The outcome of an event expresses qualitatively or quantitatively, being a loss, injury, disadvantage or gain. There may be a range of possible outcomes associated with an event.
Event	An incident or situation that occurs in a particular place during a particular interval of time.
Executive Authority	In a Municipality: The Municipal Council.
Executive Management Team	The Executive Management Team consists of the Section 57 Local Government; Municipal Systems Act No 32 of 2000 managers made up of the Accounting Officer (Municipal Manager), Directors (Corporate, Finance, Planning, Community and Technical).
Generally Recognised Accounting Practice (GRAP)	The standard for municipal accounting.
Inherent Risk	The exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.
Internal Auditing	An independent, objective assurance and consulting activity designed to add value and improve an organisation'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.
Integrated Development Plan	The main strategic planning document of the Municipality.
King IV	The King Code of Corporate Governance for South Africa November 2016.
Likelihood	A qualitative description of probability of frequency.
Management	In all business and organizational activities is the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. Management comprises planning, organizing, staffing, leading or directing, and controlling an organization (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources, and natural resources. All officials of the Institution except for the Chief Risk Officer and officials reporting to him/her.
The Municipal Finance Management Act – No. 53 of 2003. (MFMA)	Municipal Finance Management Act (Act No. 56 of 2003).
	The principle piece of legislation relating to municipal financial management.
Medium Term Revenue and Expenditure Strategy. (MTREF)	A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes

	details of the previous and current years' financial position.
Operating Expenditure	Spending on the day to day expenses of the Municipality such as salaries and wages.
Other Official	An official other than the Accounting Officer / Authority, Management, Chief Risk Officer and his/her staff.
Predetermined Objectives	Strategic objectives, programs, projects, and performance indicators identified during the Integrated Development Plan /Budget process.
Problem Statement	A clear description of the risk(s), including a risk statement, and method used to address the risk(s).
Quarterly	Period made up of three months July - September, October - December, January - March and April - June.
Rates	Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.
Residual Risk	The remaining exposure after the mitigating effects of deliberate management intervention(s) to control such exposure (the remaining risk after Management has put in place measures to control the inherent risk).
Risk	The chance of something happening that will have an impact upon objectives. It is measured in terms of consequences and likelihood. An unwanted outcome, actual or potential, to the municipality's service delivery and other performance objectives, caused by the

	presence of risk factor(s). Some risk factor(s) also present upside potential, which Management must be aware of and be prepared to exploit. This definition of "risk" also encompasses such opportunities.
Risk Appetite	The amount of residual risk that the municipality is willing to accept.
Risk Defined	Is the potential that a chosen action or activity (including the choice of inaction) will lead to a loss (an undesirable outcome). The notion implies that a choice having an influence on the outcome exists (or existed). Potential losses themselves may also be called "risks". Almost any human endeavour carries some risk, but some are much more risky than others.
Risk Champion	A person who by virtue of his/her expertise or authority champions a particular aspect of the risk management process, but who is not the risk owner.
Risk Factor	Any threat or event which creates, or has the potential to create risk.
Risk Management	A systematic and formalised process to identify, assess, manage and monitor risks.
Risk Management Unit	A business unit responsible for coordinating and supporting the overall municipality risk management process, but which does not assume the responsibilities of Management for identifying, assessing and managing risk.
Risk Owner	The person accountable for managing a particular risk.



Risk Register	A Risk Register is a Risk Management tool commonly used in Project Management and organisational risk assessments. It acts as a central repository for all risks identified by the project or organisation and, for each risk, includes information such as risk probability, impact, counter-measures, risk owner and so on. (Wikipedia, 2011)
Risk Tolerance	The amount of risk the municipality is capable of bearing (as opposed to the amount of risk it is willing to bear).
Risk Treatment	Selection and implementation of appropriate options for dealing with risk.
Service Delivery and Budget Implementation Plan (SDBIP)	A detailed plan comprising quarterly performance targets and monthly budget estimates.
Strategic Objectives	The main priorities of the Municipality as set out in the integrated development plan. Budgeted spending must contribute towards the achievement of the strategic objectives.
Strategy	A plan of action designed to achieve a particular goal is the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations.
Transversal	Running or lying across; Crosscutting
Utilities	In context of the draft, are the categorised four main components of the inferred organisational workflow which are; Integrated Development

	Programme, Budget, Infrastructure; Systems; Services and Organisational Structure.
Vote	One of the main segments into which a budget is divided, usually at directorate / department level.

## 1.2 PURPOSE, APPLICABILITY AND BACKGROUND

### 1.2.1 PURPOSE

- The strategy has been developed in terms of the prescripts (a) and (b) below, read in conjunction with section 20(1)(iv), (v) and (vi) of the MFMA, which empowers the Minister of Finance to prescribe uniform norms and standards in terms of this Act.
- The strategy also incorporates the requirements of the Batho-Pele principles COSO, King IV insofar as they concern risk management.
- The strategy aims to support the municipality to improve and sustain their performance by enhancing their systems of risk management to protect against adverse outcomes and optimise opportunities.

### 1.2.2 APPLICABILITY

- The strategy recognises that the municipality are not homogenous.
- The strategy is thus “principles” rather than “prescriptive” based and adopts the approach of elucidating the principles, standards, models and practices proven to support and sustain effective risk management.
- The municipality are expected to develop their systems of risk management by adopting the said principles and standards, and adapting the models and operational practices to match the municipality’s requirements.

### 1.2.3 BACKGROUND

- The municipality’s Constitutional mandates is to provide services or products in the interest of the public good.
- No organisation has the luxury of functioning in a risk-free environment and municipalities are especially vulnerable to risks associated with fulfilling their mandates.

- The public-sector environment is fraught with unique challenges such as inadequate capacity, excessive bureaucracy and silo mentality, limited resources, competing priorities and infrastructure backlogs to mention a few.
- Such dynamics increase the risk profile of the public sector as a whole and place an extra duty of care on public sector managers to contain risks within acceptable limits.
- Risk management is a valuable management tool which increases the municipality's prospects of success through minimising negative outcomes and optimising opportunities.
- Local and international trends confirm that risk management is a strategic imperative rather than an option within high performing organisations.
- High performing organisations set clear and realistic objectives, develop appropriate strategies aligned to the objectives, understand the intrinsic risks associated therewith and direct resources towards managing such risks on the basis of cost-benefit principles.
- The municipality must, in accordance with the previously mentioned prescripts, implement and maintain effective, efficient and transparent systems of risk management and internal control.
- The municipality should through the risk management process 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 rigour 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.

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## **2. SECTION: 2 STRATEGY PROCESS**

### **2.1 CREATING AN ENABLING ENVIRONMENT**

#### **2.1.1 CREATING AN ENABLING ENVIRONMENT FOR THE MANAGEMENT OF RISKS**

- The municipal manager is responsible for ensuring that the Institutional environment supports the effective functioning of risk management.
- The municipality's environment is the foundation of risk management, providing the underpinning culture, discipline and structure that influence how strategy and objectives are established, how Institutional activities are planned and executed and how risks are identified, assessed and acted upon.
- The municipal manager should ensure that the municipality:
  - Operates within its Constitutional mandate;
  - Adopts a value system founded on a public service ethos;
  - Possesses the inherent competencies required to execute its mandate;
  - Adopts management practices that embrace the concepts of delegation of authority, personal responsibility, accountability and performance management; and
  - Has an appropriate organisational structure supported by basic financial and management systems underpinned by risk management and internal controls.

#### **2.1.2 SETTING INSTITUTIONAL OBJECTIVES**

- The municipal manager should establish objectives that are consistent with the municipality's Constitutional mandate and ensure that its services are appropriate, economical, efficient and equitable. The municipal must ensure that:
  - Objectives are finalised through a rigorous analysis of the costs and benefits associated therewith;
  - The municipality has and maintains an effective process to identify the risks inherent in the chosen objectives; and
  - The municipality is able to manage such risks effectively, economically and efficiently.

#### **2.1.3 ORGANISATIONAL STRUCTURE**

- The Council should delegate roles and responsibilities in a manner that ensures effective co-ordination and synergy of risk management activities.

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- The work of business units, working groups and committees should be structured and co-ordinated in a way that provides a complete perspective of the municipality's risk exposures and opportunities. Please risk organisational structure below in Figure 1:

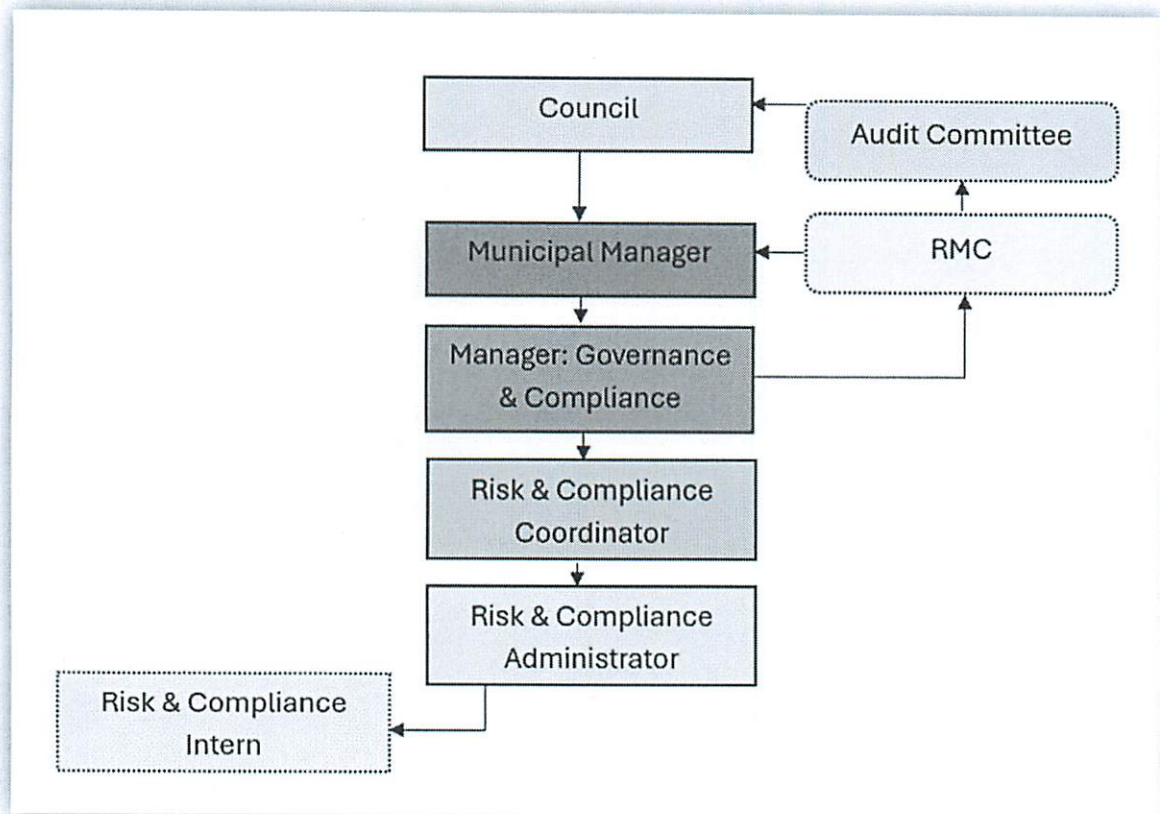


Figure 1: Senqu Local Municipality Risk Management Structure

## 2.2 INTEGRATION OF RISK MANAGEMENT ACTIVITIES

### 2.2.1 ENTERPRISE-WIDE RISK MANAGEMENT (ERM)

- ERM is a broad-based application of risk management in all major functions and activities of the municipality, rather than only in selected areas, to isolate the material risks.
- ERM represents a response to the dilemma that risks (including opportunities) are dynamic and often highly interdependent and need to be managed through a portfolio approach rather than as separate and static events, to achieve comprehensive and integrated attention.
- ERM also calls for the municipality to look beyond itself, requiring the consideration of risks on performance regardless of whether risk is internally or externally generated.
- The municipality should:

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- Communicate timeously with other organs of state in instances where the identification, evaluation and management of risk to the municipality require the participation of these organs;
- Identify and communicate to other organs of state risks posed to them by the municipality's own actions or inaction; and
- Consider the material risks throughout the value chain responsible for producing and delivering particular services or goods, to appreciate the threats posed by the non-performance of the parties in the value chain.

### **2.3 RISK ASSESSMENT**

Risk assessment is a systematic process to quantify or qualify the level of risk associated with a specific threat or event, to enrich the value of risk information available to the municipality. The main purpose of risk assessment is to help the municipality to prioritise the most important risks as the municipality are not expected to have the capacity to deal with all risks in an equal manner.

#### **2.3.1 RISK IDENTIFICATION**

Risk identification is a deliberate and systematic effort to identify and document the municipality's key risks. The objective of risk identification is to understand what is at risk within the context of the municipality's explicit and implicit objectives and to generate a comprehensive inventory of risks based on the threats and events that might prevent, degrade, delay or enhance the achievement of the objectives. Risk identification should be strengthened by supplementing management's perceptions of risks, inter alia, with:

- review of external and internal audit reports;
- review of the reports of the Standing Committee;
- financial analyses;
- historic data analyses;
- actual loss data;
- interrogation of trends in key performance indicators;
- benchmarking against peer group or quasi peer group;
- market and sector information;
- scenario analyses; and
- forecasting and stress testing.

**2.3.1.1 RISK CATEGORIES**

In order to categorise risk more effectively, the municipality identified risks which are grouped under the respective departments/units/ functional areas of the municipality. The municipality's risk categories are provided on the next page.

Risk Category	Description
Human Resources	<p>Risks that relate to human resources of an institution. These risks can have an effect on an institution's human capital with regard to:</p> <ul style="list-style-type: none"> <li>▪ Integrity and honesty;</li> <li>▪ Recruitment;</li> <li>▪ Skills and competence;</li> <li>▪ Employee wellness;</li> <li>▪ Employee relations; and</li> <li>▪ Retention.</li> </ul>
Knowledge and Information Management	<p>In identifying risks relating to an institution's management of knowledge and information, the following aspects are to be considered which relate to knowledge management:</p> <ul style="list-style-type: none"> <li>▪ Availability of information;</li> <li>▪ Stability of the information;</li> <li>▪ Integrity of information data;</li> <li>▪ Relevance of the information;</li> <li>▪ Retention; and</li> <li>▪ Safeguarding.</li> </ul>
Litigation	<p>Risks that the institution might suffer loss, due to litigation and lawsuits against it. Losses from litigation can possibly emanate from:</p> <ul style="list-style-type: none"> <li>▪ Claims by employees, the public, service providers and other third parties; and</li> <li>▪ Failure by an institution to exercise certain rights that are to its advantage.</li> </ul>

Loss \ theft of assets	Risks that an institution might suffer loss, due to either theft or loss of an asset of the institution.
Material Resources (procurement risk)	Risks relating to an institution's material resources. Possible aspects to consider include: <ul style="list-style-type: none"> <li>▪ Availability of material;</li> <li>▪ Costs and means of acquiring \ procuring resources; and</li> <li>▪ The wastage of material resources.</li> </ul>
Service Delivery	Every institution exists to provide value for its stakeholders. The risk will arise if the appropriate quality of service is not delivered to citizens.
Information Technology	Risks relating specifically to the institution's IT objectives, infrastructure requirement, etc. possible considerations could include the following when identifying applicable risks: <ul style="list-style-type: none"> <li>▪ Security concerns;</li> <li>▪ Technology availability (uptime);</li> <li>▪ Applicability of IT infrastructure;</li> <li>▪ Integration / Interface of systems;</li> <li>▪ Effectiveness of technology; and</li> <li>▪ Obsolescence of technology.</li> </ul>
Third Party Performance	Risks related to an institution's dependence on the performance of a third party. Risks in this regard could occur by the likelihood that a service provider might not perform according to the service level agreement, entered into with an institution. Non- performance could include: <ul style="list-style-type: none"> <li>▪ Outright failure to perform</li> <li>▪ Not rendering the required service in time</li> <li>▪ Not rendering the correct service</li> <li>▪ Inadequate / poor quality of performance</li> </ul>
Health & Safety	Risks from occupational health and safety issues e.g. injury on duty; outbreak of disease within the institution etc

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Disaster Recovery / Business Continuity	Risks related to an institution's preparedness or absence thereto of disasters that could impact the normal functioning of the institution e.g. natural disasters, act of terrorism etc. This would lead to the disruption of processes and service delivery and could include the possible disruption of operations at the onset of a crisis to the resumption of critical activities.  Factors to consider include: <ul style="list-style-type: none"> <li>▪ Disaster management procedures; and</li> <li>▪ Contingency planning.</li> </ul>
Compliance /Regulatory	Risks related to the compliance requirements that an institution has to meet.  Aspects to consider in this regard are: <ul style="list-style-type: none"> <li>▪ Failure to monitor or enforce compliance;</li> <li>▪ Monitoring and enforcement of mechanisms;</li> <li>▪ Consequences of non-compliance; and</li> <li>▪ Fines and penalties paid.</li> </ul>
Fraud and Corruption	These risks relate to illegal or improper acts by employees resulting in a loss of the institution's assets or resources.
Financial	Risks encompassing the entire scope of general financial management.  Potential factors to consider include: <ul style="list-style-type: none"> <li>▪ Cash flow adequacy and management thereof;</li> <li>▪ Financial losses;</li> <li>▪ Wasteful expenditure;</li> <li>▪ Budget allocations;</li> <li>▪ Financial statement integrity;</li> <li>▪ Revenue collection; and</li> <li>▪ Increasing operational expenditure.</li> </ul>
Culture	Risks relating to an institution's overall culture and control environment. The various factors that relate to organisational culture include: <ul style="list-style-type: none"> <li>▪ The effectiveness of communication channels</li> <li>▪ Cultural integration</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Entrenchment of ethics and values</li> <li>▪ Goal alignment</li> <li>▪ Management style</li> </ul>
Reputation	Factors that could result in the tarnishing of an institution's reputation, public perception and image.
Economic Environment	<p>Risks related to the institution's economic environment. Factors to consider include:</p> <ul style="list-style-type: none"> <li>▪ Inflation</li> <li>▪ Foreign exchange fluctuations</li> <li>▪ Interest rates</li> <li>▪ Unemployment</li> </ul>
Political Environment	<p>Risks emanating from political factors and decisions that have an impact on the institution's mandate and operations. Possible factors to consider include:</p> <ul style="list-style-type: none"> <li>▪ Political unrest</li> <li>▪ Local, Provincial and National elections</li> <li>▪ Changes in office bearers</li> </ul>
Social Environment	<p>Risks related to the institution's social environment. Possible factors to consider include:</p> <ul style="list-style-type: none"> <li>▪ Immigration</li> <li>▪ Urban migration</li> </ul>
Natural Environment	<p>Risks relating to the institution's natural environment and its impact on normal operations. Factors to be considered are:</p> <ul style="list-style-type: none"> <li>▪ Depletion of natural resources</li> <li>▪ Environmental degradation</li> <li>▪ Spillage</li> <li>▪ Pollution</li> </ul>

The following are potential risk descriptions used by the Municipality:

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Any event or action that hinders a process's achievement of its component (explicit and implicit) objectives. Below is a common language used during Risk Identification (but not limited to):

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>▪ Lack of</li> <li>▪ Insufficient</li> <li>▪ Inappropriate</li> <li>▪ Failure to</li> <li>▪ Ineffective</li> <li>▪ Inefficient</li> <li>▪ Incorrect</li> <li>▪ Inaccurate</li> <li>▪ Incompetent</li> <li>▪ Non-compliance</li> </ul> | <ul style="list-style-type: none"> <li>▪ Excessive</li> <li>▪ Increase</li> <li>▪ Over/Under</li> <li>▪ Irrelevant</li> <li>▪ Non-alignment</li> <li>▪ Lost Opportunity</li> <li>▪ Shortage of</li> <li>▪ Changes to</li> <li>▪ Intolerable</li> </ul> |
|--|--|

### 2.3.2 RISK ANALYSIS

Risk analysis is a fundamental component of the risk management process. It helps to guide the evaluation of risks by defining the key parameters of the risk and how these may impact on the achievement of municipality's objectives.

#### 2.3.2.1 IMPACT

The following is an example of a rating table that can be utilised to assess the potential impact of risks. The municipality are encouraged to customise the rating table to their specific requirements.

#### **Impact Rating**

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

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4	Major	Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives
5	Critical	Negative outcomes or missed opportunities that are of critical importance to the achievement of the objectives

### 2.3.2.2 LIKELIHOOD

The following is an example of a rating table that can be utilised to assess the likelihood of risks. The municipality are encouraged to customise the rating table to their specific requirements.

#### **Likelihood Rating**

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

- Risks should be expressed in the same unit of measure used for the key performance indicator(s) concerned.
- Risk assessment should be performed through a three-stage process:
  - 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 assessment should follow the process described in 16(4)(a) to determine the actual remaining level of risk after the mitigating effects of management actions to influence the risk; and

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- Thirdly, the residual risk should be benchmarked against the municipality’s risk appetite to determine the need for further management intervention, if any. Please risk index and acceptable and unacceptable risk in Figure’s 1 & 2 below

	Rare	Unlikely	Moderate	Likely	Almost Certain	5	10	15	20	25
Critical	LOW	MEDIUM	HIGH	EXTREME	EXTREME	4	8	12	16	20
Major	LOW	MEDIUM	HIGH	HIGH	EXTREME	3	6	9	12	15
Medium	LOW	MEDIUM	MEDIUM	HIGH	HIGH	2	4	6	8	10
Minor	LOW	LOW	MEDIUM	MEDIUM	MEDIUM	1	2	3	4	5
Insignificant	LOW	LOW	LOW	LOW	LOW					

Figure 2: Risk index = Impact X Likelihood

Figure 3: Acceptable & Unacceptable Risk

- Risk assessment should be strengthened where possible by supplementing management’s perceptions.
- Risk assessments should be re-performed for the key risks in response to significant environmental and/or organisational changes, but at least once a year, to ascertain the shift in the magnitude of risk and the need for further management action as a result thereof.

Control Effectiveness		
The table below is to be used to assist management in quantifying the residual risk exposure after consideration of current controls		
Level	Description	Controls Effectiveness
Very good	Could not be more effectively implemented to mitigate the risks.	21 - 25
Good	Most risks are effectively controlled and mitigated.	16 - 20
Satisfactory	There is room for some improvement in the control system.	11 - 15
Weak	Some risks appear to be controlled but there are major deficiencies.	6 - 10
Unsatisfactory	The control system is ineffective.	1 - 5

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### 2.3.3 RISK EVALUATION

The decision-making criteria should have been specified at the beginning of the risk management process and there may be other specific criteria mandated by legislation. Were risks are accepted 'as is' it is important to note any factors that may escalate them upwards, and hence require a response (consideration of the volatility of the risk and the risk environment). The decision about whether and how to treat the risk may depend on the costs and benefits of taking the risk and the costs and benefits of implementing improved controls.

### 2.4 RISK RESPONSE

- Risk response is concerned with developing strategies to reduce or eliminate the threats and events that create risks.
- Risk response should also make provision for the exploitation of opportunities to improve the performance of the municipality.
- Responding to risk involves identifying and evaluating the range of possible options to mitigate risks and implementing the chosen option.
- Management should develop response strategies for all material risks, whether or not the management thereof is within the direct control of the municipality, prioritising the risks exceeding or nearing the risk appetite level.
- Where the management of the risk is within the control of the municipality, the response strategies should consider:
  - Avoiding the risk by, for example, choosing a different strategy or terminating the activity that produces the risk;
  - Treating the risk by, for example, implementing or improving the internal control system;
  - Transferring the risk to another party more competent to manage it by, for example, contracting out services, establishing strategic partnerships and buying insurance;
  - Accepting the risk where cost and strategy considerations rule out alternative strategies; and
  - Exploiting the risk factors by implementing strategies to take advantage of the opportunities presented by such risk factors.
- In instances where the management of risk is not within the control of the municipality, the response strategies should consider measures such as forward planning and lobbying.

- Response strategies should be documented and the responsibilities and timelines attached thereto should be communicated to the relevant persons.

#### **2.4.1 DESIGNING CONTROL ACTIVITIES TO MITIGATE RISKS**

- Management is responsible for designing, implementing and monitoring the effective functioning of system internal controls.
- Without derogating from the above, everyone in the municipality should also have responsibilities for maintaining effective systems of internal controls, consistent with their delegated authority.
- Management should develop the internal control architecture through:
  - Preventative controls to prevent errors or irregularities from occurring e.g. physical security of assets to prevent theft;
  - Detective controls to find errors or irregularities after they have occurred e.g. performance of reconciliation procedures to identify errors; and
  - Corrective controls that operate together with detective controls to correct errors or irregularities.
- The internal control architecture should include:
  - Management controls to ensure that the municipality's structure and systems support its policies, plans and objectives, and that it operates within laws and regulations;
  - Administrative controls to ensure that policies and objectives are implemented in an efficient and effective manner;
  - Accounting controls to ensure that resources are accounted for fully and transparently and are properly documented; and
  - Information technology controls to ensure security, integrity and availability of information.

#### **2.5 COMMUNICATION AND REPORTING**

- Relevant information, properly and timeously communicated is essential to equip the relevant officials to identify, assess and respond to risks.
- The municipality's risk communication and reporting process should support enhanced decision making and accountability through:
  - dissemination of relevant, timely, accurate and complete information; and
  - communicating responsibilities and actions.
- Reporting arrangements is as follows:

Reporting Type	Report Submitted to	Frequency
Monthly Risk Report	Risk Management Committee	Monthly
Quarterly Risk Report	Senior Executive Management, and Audit Committee	Quarterly

## 2.6 MONITORING

- Monitoring concerns checking on a regular basis to confirm the proper functioning of the entire risk management system.
- Monitoring should be effected through ongoing activities or separate evaluations to ascertain whether risk management is effectively practised at all levels and across the municipal in accordance with the risk management strategy.
- Monitoring activities should focus on evaluating whether:
  - Allocated responsibilities are being executed effectively;
  - Response strategies are producing the desired result of mitigating risks or exploiting opportunities; and
  - A positive correlation exists between improvements in the system of risk management and municipality's performance.

## 2.7 MUNICIPALITY'S RISK APPETITE AND TOLERANCE LEVEL

The municipality should review its risk appetite and tolerance on annual basis this is done in conjunction with the annual risk assessment.

### 2.7.1 RISK APPETITE

Risk appetite is the amount of risk, on a broad level, the municipality is willing to accept in pursuit of value. It reflects the institution's risk management philosophy, and in turn influences the institution's culture and operating style. In practice some institutions consider risk appetite qualitatively (it provides focus and focus provides improvement), with such categories as high, medium, or low, while others take a quantitative (is the key to making better municipality decisions) approach, reflecting and balancing goals for growth, return, and risk. Improved risk quantification supplements the traditional focus on common ERM benefits such as:

- Improved controls;

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- Better communication and;
- Common risk Language.

Risk appetite is directly related to municipality strategy and is considered at strategy setting, where the desired return from strategy should be aligned with the municipality appetite. Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensure that management has in place a process in setting objectives aligned with the selected strategy and in developing mechanisms to manage the related risks.

**The Importance of defining Risk Appetite**

- Promotes a shared view amongst Executive, Audit and Risk Management Committee;
- Allows for alignment of risk appetite and strategy which is essential for creating an integrated risk management framework;
- Should improve consistency in decision making;
- Risk management maintains that a defined number of failures can be tolerated if the costs of guarding against them is more expensive than the risks they impose;
- Serves as a key input into strategic planning processes on two levels:
  - Evaluating strategic alternatives;
  - Setting objectives and developing mechanisms to manage the related Risks;
- Assists management more efficiently allocate and manage resources;
- Provides a framework risk-taking boundary as well as a benchmark for acceptable level of risk.

Management considers its risk appetite as it aligns its municipality, people and processes, and designs infrastructure necessary to effectively respond to and monitor risks.

**2.7.2 RISK TOLERANCE**

Risk tolerances are the acceptable levels of variation relative to the achievement of objectives. Risk tolerances can be measured, and often are best measured in the same units as the related objectives. Performance measures are aligned to help ensure that actual results will be within the acceptable risk tolerances.

In setting Risk tolerances, management has considered the relative importance of the related objectives and aligns risk tolerances with risk appetite. Operating within risk tolerances provides management greater assurance that the municipality remains within its risk appetite and, in turn, provides a higher degree of comfort that the municipality will achieve its objectives.

**Rationale on which the municipality needs to determine the risk tolerance level**

Since the Municipality has taken a stance towards implementation of risk management, it is quite imperative that management should have sufficient guidance on the levels of risks that are legitimate for them to take during execution of their duties.

By clearly articulating the risk tolerance level, it will among other things assist the Municipality in:

- Showing how different resource allocation strategies can add to or lessen the burden of risk;
- Enhancing decision making processes;
- Improved understanding of risk-based audits;

**Senqu Local Municipality’s risk appetite and tolerance levels**

The risk appetite and tolerance levels for Senqu Local Municipality is depicted on the next page.

MUNICIPAL OBJECTIVES	RISK APPETITE	RISK TOLERANCE
To reduce infrastructure backlogs by 10% by 2027.	Reduce infrastructure backlogs by 2% per annum	Reducing infrastructure backlogs less than 2% per annum
To maintain 50% of all municipal infrastructure by 2027.	To maintain 8% of all municipal infrastructure per annum.	Maintaining less than 10% per annum is unacceptable
To grow the local economy by 3%	To grow the local economy with 0.6% per annum	Growing the local economy less than 0% per annum is unacceptable

<b>Improve revenue collection to 95% by 2027</b>	Improve revenue collection with 85% per annum	Revenue collection less than 95% per annum is unacceptable.
<b>Improve MIG expenditure to 100% by 2027</b>	Improve MIG expenditure with 95% per annum	MIG expenditure less than 100% per annum is unacceptable
<b>To increase technical skills by 12.5% by 2027</b>	Increase technical skills with by 1% per annum in the first three years, 3% the fourth year and 6.5% in the fifth year	Less than 1% per annum in the first three years, 3% the fourth year and 6.5% in the fifth year is unacceptable
<b>To create a knowledge and innovation hub by 2027</b>	To develop and implement a comprehensive document management strategy with 34% per annum.	Implementing less than 50% of document management strategy per annum.
<b>To support the development of civil society organisations for effective public participation and oversight</b>	To facilitate 2 bi-annual stakeholder engagement and social program per annum	To facilitate less 4 stakeholder engagement and social program per annum is unacceptable
<b>To maintain the clean audit status</b>	To maintain a clean audit outcome	An unqualified audit opinion without matters of emphasis is unacceptable
<b>To strengthen the oversight function of Council by 2024</b>	To implement one capacity programme per Council structure by 2024	Less than one capacity programme per Council structure by 2024
<b>To reduce the number of land invasion cases by 80 % by 2027</b>	Reduce the number of land invasion cases with 10% per annum	Reduce the number of land invasion cases less than 16% per annum is unacceptable

<b>To reduce the number of NEMA contraventions by 30 % 2027</b>	Reduce the number of NEMA contraventions with 7,5% per annum	Reduce the number of NEMA contraventions less than 5% per annum is unacceptable
<b>To ensure a continually secured, effective and efficient ICT services rendering environment</b>	Implement ICT Strategy 21% per annum	Implement ICT Strategy 28% per annum

### 3. SECTION 3: COMBINED ASSURANCE

Combined assurance can be defined as integrating, coordinating and aligning the risk management and assurance processes within the Municipality to optimise and maximise the level of risk, governance and control oversight over the Municipality's risk landscape.

#### The Five Lines of Defence

King IV defines combined assurance as follows: integrating and aligning assurance processes in an organisation to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the audit and risk committee, considering the municipality's risk appetite.

#### 3.1 KEY ROLE PLAYERS IN COMBINED ASSURANCE

##### 3.1.2 FIRST-LINE OF DEFENCE

#### Functions of Senior Management pertaining to risk management

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

High level responsibilities of Management should include:

- 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 municipal process;

- Devoting personal attention to overseeing the management of key risks within their area of responsibility;
- Maintaining a co-operative relationship with the Risk Management Unit and Risk Champion;
- Providing risk management reports;
- Presenting to the Audit Committees as requested;
- Maintaining the proper functioning of the control environment within their area of responsibility;
- Monitoring risk management within their area of responsibility; and
- Holding officials accountable for their specific risk management responsibilities.

### **3.1.3 SECOND-LINE OF DEFENCE**

#### **Functions of the Chief Risk Officer**

The primary responsibility of the Chief 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. The high-level responsibilities of the Chief Risk Officer should include:

- Working with senior management to develop the municipality's vision for risk management;
- Developing, in consultation with management, the municipality's risk management strategy incorporating, inter alia, the:
  - Risk identification and assessment methodology;
  - Risk appetite and tolerance; and
  - Risk classification.
- Communicating the municipality's risk management strategy to all stakeholders in the municipality and monitoring its implementation;
- Facilitating orientation and training for the Audit Committee;
- Training all stakeholders in their risk management functions;
- Continuously driving risk management to higher levels of maturity;
- Assisting Management with risk identification, assessment and development of response strategies;
- Monitoring the implementation of the response strategies;
- Collating, aggregating, interpreting and analysing the results of risk assessments to extract risk intelligence;

- Reporting risk intelligence to the municipal manager, Council, management and the Audit Committee; and
- Participating with Internal Audit, Management and Auditor-General in developing the combined assurance plan for the municipality.

#### 3.1.4 *THIRD-LINE DEFENCE*

##### **Functions of Internal Auditing pertaining to risk management**

- 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 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:
  - Institutional objectives support and align with the Institution's mission;
  - significant risks are identified and assessed;
  - risk responses are appropriate to limit risk to an acceptable level; and
  - relevant risk information is captured and communicated in a timely manner to enable the Accounting Officer / Authority, Management, the Audit Committee and other officials to carry out their responsibilities.
- In case where the Internal Auditor assumes the role of the Chief Risk Officer, his/her risk management responsibilities include:
  - assisting Management to develop the risk management strategy;
  - co-ordinating risk management activities;
  - facilitating identification and assessment of risks;
  - recommending risk responses to Management; and
  - developing and disseminating risk reports.

When assisting Management in establishing or improving risk management processes, Internal Auditing must refrain from assuming management responsibilities for risk management.

### **Functions of the External Audit pertaining to risk management**

- The external auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management.
- In providing the audit opinion, the Auditor-General usually focuses on:
  - Determining whether the risk management strategy are in place and are appropriate;
  - Assessing the implementation of the risk management strategy;
  - 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;
  - Reviewing the risk assessment process to determine if it is sufficiently robust to facilitate timely and accurate risk rating and prioritisation; and
  - Determining whether the management action plans to mitigate the key risks are appropriate, and are being effectively implemented.

#### **3.1.5 *FOURTH-LINE OF DEFENCE***

### **Functions of Municipal Manager pertaining to risk management**

The Municipal Manager is the ultimate Chief Risk Officer of the municipality and is accountable for the Municipality's overall governance of risk.

High level responsibilities of the municipal manger should include:

- Setting an appropriate tone by supporting and being seen to be supporting the municipality's aspirations for effective management of risks;
- Delegating responsibilities for risk management to Management and internal formations such as the Audit Committee, Risk Management Committee and Information Technology Steering Committee;
- Holding Management accountable for designing, implementing, monitoring and integrating risk management into their day-today activities;
- Holding the internal structures referred to in 22(2)(b) accountable for performance in terms of their responsibilities for risk management;

- Providing leadership and guidance to enable management and internal structures responsible for various aspects of risk management to properly perform their functions;
- Ensuring that the control environment supports the effective functioning of risk management;
- Approving the risk management strategy;
- Approving the fraud prevention plan;
- Approving the municipality's risk appetite and risk tolerance;
- Devoting personal attention to overseeing management of the significant risks;
- Leveraging the Audit Committee for assurance on the effectiveness of risk management;
- Ensuring appropriate action in respect of the recommendations of the Risk Management and Audit Committee to improve risk management; and

Providing assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated.

#### **Functions of the Risk Management Committee**

The Risk Management Committee is appointed by the municipal manager to assist them to discharge their responsibilities for risk management.

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:

- An intimate understanding of the municipality's mandate and operations;
- The ability to act independently and objectively in the interest of the municipality; and
- A thorough knowledge of risk management principles and their application.

The chairperson of the Risk Management Committee should be an independent external person, appointed by the municipal manager.

- The responsibilities of the Risk Management Committee are to:
- Review the risk management strategy and recommend for approval by Council;



- Review the risk appetite and tolerance and recommend for approval by the Accounting Officer;
- Review the municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
- Evaluate the effectiveness of mitigating strategies to address the material risks of the municipality;
- Report to the Accounting Officer and Audit Committee any material changes to the risk profile of the municipality;
- Review the fraud prevention plan and recommend for approval by Council;
- Evaluate the effectiveness of the implementation of the fraud prevention plan;
- Review any material findings and recommendations by assurance providers on the system of risk management and monitor that appropriate action is instituted to address the identified weaknesses;
- Develop goals, objectives and key performance indicators for the Committee for approval by the Accounting Officer and Council;
- Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activity;
- Set out the nature, role, responsibility and authority of the risk management function within the municipality for approval by the Accounting Officer, and oversee the performance of the risk management function;

Provide proper and timely reports to the Accounting Officer, Audit Committee and Council on the state of risk management, together with aspects requiring improvement accompanied by the Committee's recommendations to address such issues.

### **3.1.6 FIFTH-LINE OF DEFENCE**

#### **Functions of Council pertaining to risk management**

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 municipal against significant risks.

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Responsibilities of the Executive Authority in risk management should include:

- Ensuring that the municipal strategies are aligned to the government mandate;
- Obtaining assurance from management that the municipality's strategic choices were based on a rigorous assessment of risk;
- Obtaining assurance that key risks inherent in the municipality's strategies were identified and assessed, and are being properly managed;
- Assisting the municipal manager to deal with fiscal, intergovernmental, political and other risks beyond their direct control and influence; and
- Insisting on the achievement of objectives, effective performance management and value for money. Council should also:
  - Approve the risk management strategy; and
  - Approve the fraud prevention plan.

#### **Functions of the Audit Committee pertaining to risk management**

- The Audit Committee is an independent committee responsible for oversight of the municipality's control, governance and risk management.
- The responsibilities of the Audit Committee with respect to risk management should be formally defined in its charter.
- The Audit Committee should provide an independent and objective view of the municipality's risk management effectiveness.
- Responsibilities of the Audit Committee, should include:
  - Reviewing and recommending disclosures on matters of risk in the annual financial statements;
  - Reviewing and recommending disclosures on matters of risk and risk management in the annual report;
  - Providing regular feedback to the Council and municipal manager on the adequacy and effectiveness of risk management in the municipality, including recommendations for improvement;
  - Ensuring that the internal and external audit plans are aligned to the risk profile of the municipality;
  - Satisfying itself that it has appropriately addressed the following areas:

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- Financial reporting risks, including the risk of fraud;
- Internal financial controls; and
- IT risks as they relate to financial reporting.

The Audit Committee should evaluate the effectiveness of Internal Audit in its responsibilities for risk management.

### **3.2 OTHER KEY ROLE PLAYERS**

#### **Functions of the National Treasury pertaining to risk management**

- The National Treasury has specific functions in terms of sections 5(2) and 34 of the MFMA to:
  - Prescribe uniform norms and standards;
  - Monitor and assess the implementation of the MFMA;
  - Assist the municipality in building their capacity for efficient, effective and transparent financial management; and
  - Enforce the MFMA.
- The National Treasury should monitor and assess, among other things, the implementation of risk management, including any prescribed norms and standards.
- With respect to capacity building, the National Treasury should assist national departments, national public entities, Constitutional institutions, municipalities and municipal entities in building their capacity for, among other things, efficient, effective and transparent risk management.
- With respect to enforcement, the National Treasury should enforce the legislation and any prescribed norms and standards for, among other things, risk management in national departments, national public entities, Constitutional institutions, municipalities and municipal entities.
- In addition, the National Treasury may do anything further that is necessary to fulfil its responsibilities effectively.

#### **Functions of the Provincial Treasury pertaining to risk management**

- The Provincial Treasury has specific functions in terms of section 34 of the MFMA to:
  - Prescribe uniform norms and standards;
  - Monitor and assess the implementation of the MFMA;

- Assist the municipality in building their capacity for efficient, effective and transparent financial management; and
- Enforce the MFMA.
- The Provincial Treasury should monitor and assess, among other things, the implementation of risk management, including any prescribed norms and standards.
- With respect to capacity building, the Provincial Treasury should assist provincial departments, provincial public entities, municipalities and municipal entities, in among other things, in building their capacity for efficient, effective and transparent risk management.
- With respect to enforcement, the Provincial Treasury should enforce the legislation and any prescribed norms and standards for, among other things, risk management in provincial departments, provincial public entities, municipalities and municipal entities.

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

#### **Functions of other officials pertaining to risk management**

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 processes 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; and
- Co-operating with other role players in the risk management process and providing information as required.

#### **Functions of the 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 good understanding of risk management concepts, principles and processes;
  - Good analytical skills;
  - Expert power;
  - Leadership and motivational qualities; and
  - Good communication skills.

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

## **4 SECTION 4: PERFORMANCE AND EVALUATION OF RISK MANAGEMENT**

### **4.1 EVALUATION OF VALUE ADD**

- Evaluation of risk management effectiveness is vital to maximize the value created through risk management practices.
- The municipality should strive to incrementally and sustainably achieve a mature risk management.
- The municipality 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 municipality.
- The municipality should utilize the Financial Management Maturity Capability Model developed by the National Treasury to evaluate their current and progressive risk management maturity.

### **4.2 PERFORMANCE INDICATORS**

- The municipality has a part to play in achieving and sustaining a vibrant system of risk management and to that extent must function within a strategy of responsibilities and performance indicators.
- The municipal manager/ Council should evaluate its own performance in leading the risk management process in the municipality through the following and other relevant indicators:
  - The risk management maturity trend as measured in terms of an appropriate index such as the Financial Capability Maturity Model;
  - The municipality's performance against key indicators, including comparison of year-on-year performance;

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- The municipality’s “avoided risk” record when compared against the peer group or quasi-peer group;
  - Percentage change in unauthorized expenditure, fruitless and wasteful expenditure and irregular expenditure based on year-on-year comparisons;
  - Percentage change in incidents and quantum of fraud based on year-on-year comparisons; and
  - Progress in securing improved audit outcomes in regularity and performance audits.
- Insofar as it concerns the responsibilities of the Audit Committee for risk management, the municipal manager / Council should evaluate the performance of the Committee through the following and other relevant indicators:
    - The Auditor-General’s report on the effectiveness of the Audit Committee;
    - The results of the Audit Committee’s own 360° assessment;
    - The Committee’s co-ordination of the work of Internal Auditing, External Audit and other assurance providers in respect of risk management; and
    - The quality and timeliness of the Audit Committee’s counsel and recommendations on matters concerning the system of risk management.
- The municipal manager/ Council should evaluate the performance of the Audit Committee through the following and other relevant indicators:
    - The results of the Audit Committee’s own 360° assessment;
    - The pace and quality of the implementation of the risk management strategy;
    - The Internal Audit report on the state of risk management;
    - The Auditor-General’s report on the effectiveness of the Audit Committee; and
    - The quality and timeliness of the Audit Committee’s counsel and recommendations.
- The municipal manager / Council, in consultation with the Audit Committee, should evaluate the performance of the Chief Risk Officer through the following and other relevant indicators:
    - Development and implementation of the risk management strategy;
    - The municipality’s collective awareness, skill and participation in risk management;

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- Risk management maturity;
  - Quality and timeliness of support to management, other officials and the Audit Committee;
  - Quality and timeliness of risk intelligence; and
  - Absence of surprises.
- The municipal manager/ Council should evaluate the performance of management through the following and other relevant indicators:
    - Business unit performance against key indicators, including comparison of year-on-year performance;
    - Implementation of risk management action plans;
    - Co-operation with the Risk Management Unit, Audit Committee, Risk Champion and relevant stakeholders involved in risk management;
    - Quality and timeliness of risk identification, assessment and reporting;
    - Proactive identification of new and emerging risks;
    - Absence of surprises;
    - Year-on-year reduction in adverse incidents and realized losses;
    - Elimination of unauthorized expenditure, fruitless and wasteful expenditure and irregular expenditure;
    - Reduction in fraud; and
    - Progress in securing improved Internal Audit and Auditor-General outcomes in regularity and performance audits.
  - The municipal manager / council should evaluate the performance of Risk Champions through the following and other relevant indicators:
    - Resolution of delegated problems.
  - Insofar as it concerns the responsibilities of Internal Auditing for risk management, the municipal manager / Council should evaluate the performance of Internal Auditing through the following and other relevant indicators:
    - Timeliness and quality of assurance on risk management;
    - Timeliness and quality of recommendations to improve risk management; and
    - Adoption of risk based auditing.

- Management should evaluate the performance of their staff through the following and other relevant indicators:
  - Implementation of risk management action plans.

## **5 SECTION 5: AWARENESS AND TRAINING**

### **5.1 AWARENESS**

- Effective risk management is dependent on commitment, which must start at the top of the Municipality and filter down to the lowest level of the organization. Without the right commitment to risk management and culture of control, the implementation of effective risk management will not succeed.

- The King IV Report makes the following statement on the culture of control:

*This sets the tone of the organization and should be seen as a foundation for all other components of risk management and control in providing the necessary discipline and structure.*

- Methods to ensure that every employee sees risk management as part of his/her responsibilities include:
  - Management leading by example i.e. showing employees that they are committed to better risk management and effective systems of control;
  - Creating an awareness of the purpose and benefits of risk management
  - Clearly defining the risk management process to be followed within the Municipality, as well as the responsibilities of employees and management in this regard;
  - Ensuring that risk management is entrenched into the way of doing business and that it is not seen as an add-on. This should be done by integrating risk reporting into the current reporting systems of the Municipality, ensuring that risk is a topic that is discussed regularly in management and Audit Committee meetings.
  - Implementing a “common code of conduct and ethics” for all employees
  - Training on risk management and systems of controls
  - Integrating risk management responsibilities in the performance management process.

### **5.2 TRAINING**

- A communication and training strategy is important for ensuring that personnel embrace the risk management concept and that it becomes an integral part of the Municipality’s culture by:
  - Introducing the concept of risk management and the Risk Management Strategy



- Educating management and employees in risk management policies and practices;
- Communicating risk assessments and risk responses to responsible parties
- Facilitating improvement and enhancements to the risk management plan
- Facilitating and encouraging regular reviews of the Municipality's risks and risk management action plans
- Monitoring the risk management process
- Managing risk management issues (e.g. new risks, changes in legislation) that arise
- It is possible to facilitate changed behaviour by making changes to the Municipality and job design, performance reports and measures, accountabilities, reward systems and incentives.

**OTHER DOCUMENTS RELATING TO THE RISK MANAGEMENT STRATEGY**

- Other documents relating to the Risk Management Strategy are:
  - Fraud prevention plan;
  - Code of Ethics for Employees; and
  - Compliance policy.

**6 APPROVAL OF THE STRATEGY**

Date of Approval by Council:  
Resolution No:

15 May 2024  
041/SCM/24

  
\_\_\_\_\_  
T. MAWONGA  
MUNICIPAL MANAGER

5/5/2024  
\_\_\_\_\_  
DATE