SIYANCUMA
MUNICIPALITY MUNISIPALITEIT

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Policy Author/Custodian	Corporate Services
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DEFINITIONS

In this document, unless the context indicates otherwise -

Terminology	Definition of terminology
Impact	This is the extent of the effect on the Municipality should the risk actually materialise.
Incident	An undesired event as a result of a risk behaviour, or high-risk conditions, without resulting in loss, but has the potential for losses.
Integrated Development Plan (IDP)	This is the outcome document of community interactions to determine the needs of residents, investors, business and industry within the Municipality Municipal Boundaries. It depicts the Strategic Objectives of the Municipality and the focus areas for the next five years and is annually updated.
Enterprise Risk Management (ERM)	ERM is a structured and consistent approach across the Municipality that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks (threats and opportunities) that the Municipality faces to create stakeholder value. Or Choices made under conditions of uncertainty, bound by acceptable levels of risk, designed to sustain / maximize stakeholder value.
ERM Drivers	The statutory parameters in which ERM must operate.
ERM Enablers	The additional mechanisms required to ensure that the statutory parameters are met and maintained.
ERM Framework	Formally sets out the Municipality's ERM processes, including the systematic approach to risk assessment and management, including stakeholders and role-players in the process of risk management
ERM Implementers	The authority levels within the Municipality on whom ERM have a dependency to ensure the success of the achieving statutory parameters and maintenance of the ERM processes.
IRM Policy	Serves as a foundation for the Municipality's IRM activities, as it encapsulates management's philosophy and approach to risk management.
Key performance indicators (KPIs)	KPIs are quantitative measurements, both financial and non-financial, of the process's ability to meet its objectives and of the process's performance. They are usually analysed through trend analyses within an entity or through benchmarking against a peer of the entity.
Likelihood	This is the probability that the risk will materialise.
Process	Structured set of activities within an entity, designed to produce a specified output.
Reputational Risk	A type of risk related to the trustworthiness of an entity. Damage to the entity's reputation can result in lost revenue or destruction of shareholder values, even if the entity is not found guilty of a crime. Reputational risk can be a matter of corporate trust, but serves also as a tool in crisis prevention
Residual Risk	The remaining exposure after the controls/treatments has been taken into consideration.
Risk	Risks are uncertain future events (threats and opportunities) that could influence the achievement of the goals and objectives of the Municipality.
Risk Appetite	The amount of risk taken in pursuit of value.
Risk Assessment	The overall process of identifying, analysing and evaluating risk. The risk assessment process should consider risks that are significant to the achievement of the Municipality's objectives. This is a continuous process,

1. OVERVIEW

1.1 INTRODUCTION

Siyacuma Local Municipality (SLM) has undertaken to embed a culture of Enterprise Risk Management (ERM) within the Municipality and to identify, assess, manage, monitor and report risks in order to achieve the objectives of the Municipality, as identified in the Municipality's Integrated Development Plan (IDP).

ERM is the application of risk management throughout the Municipality. ERM recognises that risks (including opportunities) are dynamic, often highly interdependent and not to be managed in isolation. ERM responds to this challenge by providing a methodology for managing municipality-wide risks in a comprehensive and integrated way.

1.2 PURPOSE OF THIS DOCUMENT

The Risk Management Strategy provides the recommended standards and guidelines for the establishment, maintenance and monitoring of the system of ERM and internal controls for the Municipality as a whole. This document provides information and guidance to facilitate the efficient and effective implementation of the Risk Management Policy.

ERM aims to identify and mitigate the risks that threaten the attainment of service delivery and other objectives and optimise opportunities that could enhance the Municipality's performance. The Municipality thus needs to set clear and realistic objectives, develop appropriate strategies, understand the intrinsic risks associated therewith and direct resources towards managing such risks based on the cost-benefit principles and within the parameters set in the approved Risk Appetite Framework.

2. LEGISLATIVE MANDATE OF RISK MANAGEMENT

2.1 LOCAL GOVERNMENT MUNICIPAL MANAGEMENT ACT, NO 56 OF 2003

The Local Government: Municipal Finance Management Act, No 56 of 2003 (herein referred to as the MFMA) stipulates the following:

- Section 62(1)(c)(i) requires that the Accounting Officer ensures that the municipality has and maintains effective, efficient and transparent systems of risk management.

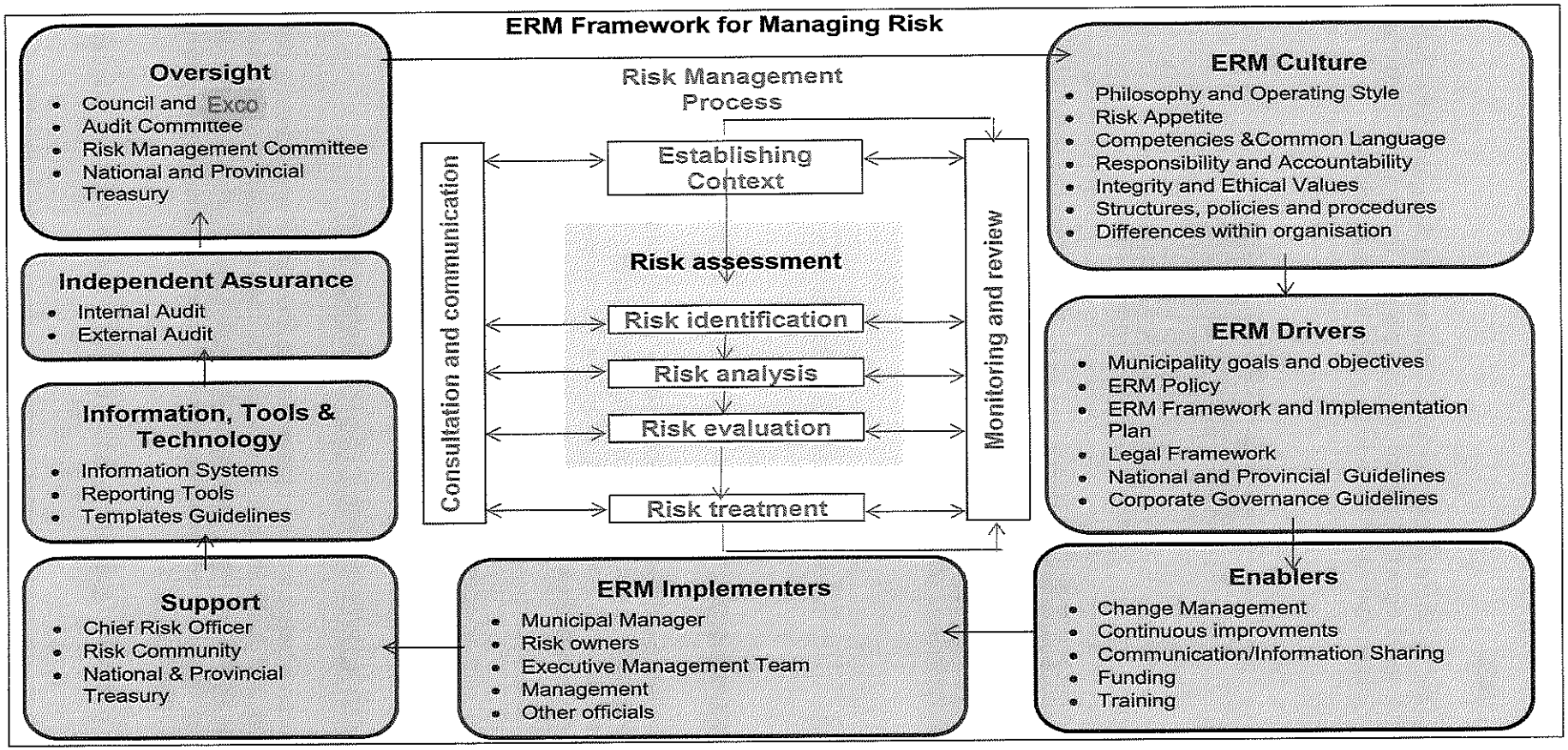
- The extension of general responsibilities in terms of Section 78, to all senior managers and other officials of municipalities implies that responsibility for risk management vests at all levels of management and that it is not limited to only the Accounting Officer and Internal Audit.

- Section 20(1)(iv), (v) and (vi) empowers the Minister of Finance to prescribe uniform norms and standards in terms of the MFMA.

- Section 165 requires that each municipality must have an Internal Audit unit, which must prepare risk-based audit plans. Internal Audit should advise the Accounting Officer and report to the Audit Committee on the implementation of the Internal Audit plan on matters including that of risk and risk management.

4. ERM FRAMEWORK OF SIYANCUMA LOCAL MUNICIPALITY

The various role-players, processes and systems should be coordinated in a structured manner (ISO31000:2009) as depicted below.



Ref	Activity	Frequency
01	Approve amendments to the ERM Framework by Council resolution.	Annually
02	Being aware of and concurring with the risk appetite and understanding the risk profile	On-going
03	Approve amendments to the Fraud Prevention Framework by Council resolution.	Annually
04	Assist the Accounting Officer with fiscal, intergovernmental, political and other risks beyond the Accounting Officer's control and influence.	On-going
05	Obtain assurance that IT, fraud, Occupational Health and Safety (OHS) risks are considered as part of the Municipality's ERM activities.	Annually
06	Obtain assurance that the required levels of combined are being obtained.	Annually
07	Obtain assurance that priority risks inherent in the Municipality's strategies were identified and assessed, and are being properly managed.	Annually
08	Insist on the achievement of objectives, effective performance management and value for money.	On-going
09	Obtain assurance regarding the effectiveness of the ERM process and effectiveness of Fraud Prevention process.	Annually
10	Report on the effectiveness of ERM and Fraud Management (the Annual Report and Annual Financial Statements should include a risk disclosure).	Annually

6.2 AUDIT COMMITTEE [ROLE: OVERSIGHT]

The Audit Committee is an independent committee responsible for oversight of SLM control, governance and risk management. This Committee should provide stakeholders with an independent and objective view of SLM risk management effectiveness. The Audit Committee should provide the Municipal Manager with independent counsel, advice and direction in respect of risk management. The legislative instrument providing the legal foundation for the Audit Committee's responsibility for risk management is detailed in Section 166 of the MFMA.

The table below provides guidance with regards to the Audit Committee's recommended roles and responsibilities in ERM:

Ref.	Activity	Frequency
11	Formally define its responsibility with respect to risk management in its charter.	Annually
12	Meet on a quarterly basis. RMC minutes should be a standing item at these meetings.	Quarterly
13	Review and recommend disclosures on matters of risk in the Annual Report.	Annually
14	Review and recommend amendments for the approval of Council the Fraud Prevention Framework.	Annually
15	Include statements regarding risk management performance in the Annual Report to stakeholders.	Annually
16	Provide an independent and objective view of the Municipality's risk management effectiveness.	Annually

6.4 EXECUTIVE MANAGEMENT TEAM

The Executive Management Team (EMT) and Management assume the responsibilities of Risk Owners. They are accountable and responsible for mitigating their risk exposure, and for developing effective risk response plans. Furthermore, they are accountable for designing, implementing and monitoring ERM functions into their day-to-day activities to enhance the achievement of their service delivery objectives. The EMT may play both an oversight role and an implementer role in risk management. Section 78 of the MFMA provides the legal foundation for Management's responsibility for risk management.

The table below provides guidance with regards to Executive Managements' / Managements' Risk Owners' recommended roles and responsibilities in ERM:

Ref.	Activity	Frequency
32	Ensure appropriate action in respect of recommendations of the Audit Committee, Internal Audit, External Audit and RMC to improve ERM. Actions include: • Ensure risk register is updated for risks identified / discussed in assurance reports from the Auditor-General, Audit Committee, Internal Audit, etc. • Identify actions / controls / recommendations with timeframes and responsibilities. • Monitor and report on implementation.	On-going
33	Provide assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated by reviewing the report issued by RMC which should contain the state of ERM within the Municipality accompanied by recommendations i.e. • New / emerging risks; transversal risks; risks exceeding appetite; risks for which there are inadequate TAPs; etc. • The top risks facing the Municipality. • Any risk developments (changes) / incidents / losses. • Recommendations to address any deficiencies identified. Present their ERM report to RMC and must clarify and verify the integrity of the risk registers submitted at RMC meetings It must be noted that the Ward Committees and Portfolio Councillors are an integral part of the stakeholders referred to in this section.	Quarterly
34	Maintain a co-operative relationship with the CRO and Risk Champions.	On-going
35	Hold officials accountable for their specific risk management responsibilities.	On-going
36	Be aware of possible manipulation of risks and risk ratings which could be detrimental to proper decision making.	On-going

Further guidance for management:

54	Provide a timely and useful ERM report to the Municipal Manager and Audit Committee. The report should contain the state of ERM within the Municipality accompanied by recommendations i.e. • The top risks facing the Municipality. • Any risk developments (changes) / incidents / losses. • Recommendations to address any deficiencies identified.	Quarterly
Ref.	Activity	Frequency
55	Measure and understand the Municipality's overall exposure to IT risks and ensure that proper processes are in place.	Annually
56	Review the risk registers/dashboard per directorate at each meeting and updates in the register's contents.	Quarterly
57	Provide guidance to the Accounting Officer, CRO and other relevant risk management stakeholders on how to manage risks to an acceptable level.	On-going

6.6 CHIEF RISK OFFICER/ RISK MANAGEMENT OFFICER

The primary responsibility of the Chief Risk Officer (CRO) / Risk Management Officer (RMO) is to bring his/her specialist expertise to assist the Municipality to embed risk management and leverage its benefits to enhance performance. The CRO/RMO plays a vital communication link between operational level management, senior management, RMC and other relevant committees.

The table below provides guidance with regards to the Chief Risk Officer's/Risk Management Officers recommended roles and responsibilities in ERM, inter alia:

Ref	Activity	Frequency
59	Review and update the ERM Framework and submit for approval.	Annually
60	Determine the levels of risk appetite for approval.	Annually
61	Coordinate the facilitation of risk assessments and consolidate risks identified by the various Risk Owners.	As required
62	Review and update the Fraud Prevention Framework and submit for approval.	Annually
63	Prepare ERM reports, registers and dashboards for submission to RMC / AC and other role players.	As required
64	Ensure that IT, fraud, Occupational Health and Safety (OHS) risks are considered as part of the Municipality's ERM activities.	As required
65	Provide specialist and advisory services to risk owners to identify recommendations and action plans to address risks.	As required
66	Co-ordinate the implementation of action plans throughout the Municipality.	As required
67	Secretarial duties to the RMC where required.	As required
68	Make the approved risk registers available to Internal Audit on request.	Quarterly

70	Inform the Risk Management Section of a replacement Risk Champion if their duties in this regard are assigned to a new risk champion or if someone is standing in for them for a specific period.	Continuously
71	Intervene and/or escalate to the RMO instances where the risk management efforts are being hampered (e.g. lack of co-operation or lack of skills and expertise).	Continuously
72	Ensure that Risk Management is a standing agenda point on their Directorate's Management meetings and actively discussed including, inter alia: • New / emerging risks • Risks which transpired • Risks which need to be escalated further • Risks which have no / inadequate action plans / or risk which have no identified risk owner • Implementation status of action plans • Top risks	Continuously
Ref.	Activity	Frequency
	• Transversal risks • Risks exceeding risk appetite • Changes in risk assessed ratings • Appropriate risk reports depending on the Directorate's needs Risk related activities	
73	Ensure colleagues in the Directorate are aware of the various role-players with regards to risk management, their roles in the process and where risk related resource material can be found.	Continuously
74	Co-ordinate risk management awareness sessions within the Directorate.	Continuously
75	To inform the CRO of any risk management related risk training needs within their Directorate.	Continuously
76	Facilitate the identification, prioritisation and communication of main municipal risks to risk owners, for monitoring and management.	Continuously
77	Facilitate updating the Strategic Risk Register and Operational Risk Register for their Directorate. Ensure the risk register information is available and accessible to all role players requiring the information. (Directorates take ownership of their risk registers).	Continuously
78	Facilitate all operational and strategic risk assessments. • Obtain feedback from the EMT, management and risk owners. • Risk co-ordinators must provide assistance where required. • Coordinate quarterly risk management meetings, at which the risk management reports are, amongst others, discussed, updated and approved. (Minutes of these meetings must be submitted to the CRO.)	When required
79	New and emerging risks: • Prompt risk owners for emerging and new risks to be included on the risk registers. • Assist managers to identify specific risks and how to address the risks.	Continuously
80	Provide guidance and support to manage "problematic" risks and risks of a transversal nature that require a multiple participant approach.	Continuously

92	Prepare a rolling three (3) year Internal Audit plan based on its assessment of key areas of risk.	Annually

6.9 ACTION OWNERS AND OTHER OFFICIALS

Action owners and other officials are accountable to line management and are responsible for incorporating risk management into their day-to-day activities.

Refer to the table below to obtain guidance with regards to the Action Owners and other officials mandate in ERM:

Ref.	Activity	Frequency
93	Apply risk management processes in their respective functions. (Risk Management and Fraud Prevention Framework must be used to manage risks).	Ongoing
94	Implement any actions assigned to them within the allocated timeframes and report back accordingly.	Ongoing
95	Inform their supervisors and / or the Risk Management Unit of new risks and significant changes in known risks.	Ongoing
Ref.	Activity	Frequency
96	Co-operate with other role players in the risk management process and providing information as required.	Ongoing
97	Familiarity with the overall risk management vision, Risk Management Policy and Strategy, as well as the Fraud Prevention Framework. Understand their roles and responsibilities in the risk management process.	Ongoing
98	Act within the risk appetite and tolerance levels set by the business unit.	Ongoing
99	Adhere to the Code of Conduct for the Municipality.	Ongoing
100	Maintain the functioning of the control environment, information and communication as well as the monitoring systems within their delegated responsibility.	Ongoing
101	Participate in risk identification and risk assessment within their business unit.	Ongoing
102	Reporting inefficient, unnecessary or unworkable controls.	Ongoing

6.10 EXTERNAL ROLE PLAYERS

6.10.1 EXTERNAL AUDIT (ASSURANCE PROVIDER)

The Auditor-General South Africa (AGSA) is responsible for providing an opinion on the financial statements of the Municipality. The AGSA is also responsible for auditing and reporting on:

- Compliance with applicable legislation.
- The report on pre-determined objectives.

Risk assessments allow the municipality to consider the extent to which potential events might have an impact on the achievement of objectives. Management assesses events from two perspectives impact and likelihood to determine their risk score or severity rating and normally uses the quantitative method. Risk Assessments are performed through a three-stage process:

- Firstly, inherent risk should be assessed;
- Secondly, residual risk should be assessed;
- Thirdly, the residual risk should be benchmarked against the risk appetite to determine the need for further intervention.

4.5 RISK RESPONSE STRATEGY

After assessing the risk scores an appropriate mitigation strategy is selected.
Risk responses fall within the following 5 categories:

- Avoid – Action is taken to exit the activities giving rise to risk. Risk avoidance may involve exiting a product line, declining expansion to a new geographical market, or selling a division.
- Treat – Implementing or improving the internal control system.
- Transfer – Shift the risk to another party that is better equipped to handle it. e.g insurance companies
- Accept – No action is taken to affect likelihood or impact.
- Exploit – Risk factors by implementing strategies to take advantage of the opportunities presented by such risk factors.
- Combination - Some responses can consist of a combination of the above.

4.6 CONTROL ACTIVITIES

Control activities are the policies and procedures that help ensure that management's risk responses are carried out. Control activities occur throughout the municipality, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Types of Control Activities

Many different descriptions of types of control activities have been put forth. Internal Controls can be preventative, detective or corrective by nature.

- 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.
- Corrective controls operate together with detective controls to correct errors or irregularities.

Controls over Information Systems

As information systems become increasingly important, it is essential to implement controls over significant systems. There are two main categories of information systems control activities. The first category is general controls, which apply to many, if not all, application systems and help ensure their proper and continued operation. The second category is application controls, which consist of computerized steps within application software that oversee the functioning of the technology. When

- Summary of progress on strategic risks (monthly).
- Summary of progress on operational risks, emerging risks, and progress on RMIP (quarterly).
- A summary of existing gaps in the capabilities for managing significant risks. (Risk assessment).
- A report of emerging issues or risks that require immediate attention (action plans).
- Integrated reporting and disclosure (quarterly reports).

6 ASSURANCE ACTIVITIES

The following are among others, regarded as assurance providers to add value in the management of risks facing the Municipality:

- Internal Audit
- Labour Relations and Legal Services
- Municipal Information Technology Services
- Office of the Auditor General
- Internal Control

7 RISK ASSESSMENT METHODOLOGY

The Risk Assessment Methodology serves to outline the processes and approaches that will be followed during the Municipal risk assessment. The Northern Cape Provincial Treasury will assist with the facilitation of all processes. However, the ownership and implementation thereof remain the responsibility of the Accounting Officer and Management.

Section 62(1)(c)(i) of the MFMA states that "the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control".

The Siyancuma Local Municipality in collaboration with the Northern Cape Provincial Treasury, will conduct a Risk Assessment following the Local Government Risk Management Framework and other best practices in risk management. This assessment will benefit the Municipality by providing a prioritise evaluation of key risks and controls, helping towards achieving its objectives and goals.

8 RISK ASSESSMENT PROCESSES

Risk assessment is a process of identifying and assessing risks within the municipality and evaluating the effectiveness of the controls that are in place to manage such risks. These processes are designed to facilitate the department's self-assessment of internal controls over significant activities, processes, operations, financial controls, reporting, as well as compliance.

8.1 PRE-WORKSHOP TRAINING

Pre-workshop activities are as follows;

- The CRO/RMO will meet with the Senior Management to discuss Risk Assessment processes.

LIKELIHOOD RATING GUIDE		
SCORE	**LIKELIHOOD**	**OCCURRENCE**
5	Common	The risk is already occurring or is likely to occur more than once in the next 12 months.
4	Likely	The risk is likely to occur at least once within the next 12 months.
3	Moderate	The risk is likely to occur in the next 2-3 years.
2	Unlikely	The risk is unlikely to occur in the next 3 years.
1	Rare	The risk is unlikely to occur even in the long term.

IMPACT RATING GUIDE		
SCORE	**IMPACT**	**CONSEQUENCES**
5	Critical/ catastrophic	The risk will have a significant impact on the achievement of objectives.
4	Major	The risk will have a high impact on the achievement of objectives.
3	Moderate	The risk will have a moderate impact on the achievement of objectives.
2	Minor	The risk will have a low impact on the achievement of objectives.
1	Insignificant	The risk will have a negligible impact on the achievement of objectives.

Risk Matrix

The risk matrix below as per the risk rating guide above will depict the risk indices that result from assessing the likelihood and impact, the matching risk magnitude categories of the risk indices as high, medium or low:

Critical	5	10	15	20	25
Major	4	8	12	15	20
Moderate	3	6	9	12	15
Minor	2	4	6	8	10
Insignificant	1	2	3	4	5
	Rare	Unlikely	Moderate	Likely	Common

Risk Rating	Escalation
HIGH RISK (RED - UNACCEPTABLE)	High-rated risks fall between 15 and 25. This means the probability of the risk eventuating is high and likely to happen. The risk needs to be monitored and managed accordingly. (Minimum monitoring: monthly/weekly review depending on the severity)
MEDIUM RISK AMBER - CAUTIONARY	Medium risks are rated between 8 and 14. Although a risk could materialize the impact is low and effort and resources invested should be managed accordingly. (Minimum monitoring: quarterly review)
LOW RISK GREEN - ACCEPTABLE	Low risks are rated between 1 -7. These risks have low impact and low likeliness i.e. rated below 8 out of 25. It is a low risk that requires little if any attention, effort or resource investment. (Minimum monitoring: annual review)

11 REVIEW OF THE RISK MANAGEMENT STRATEGY

Siyancuma Local Municipality's Risk Management Strategy is subject to an annual review.

12 Council Resolution NR: 21/05/2025/10.1.3.2

13 APPROVAL

Signature: _____ **Date:** 21/05/2025

Johanness George
Speaker

Signature: _____ **Date:** 21/05/2025

Madoda Vilakazi
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