SIYANCUMA
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ACRONYMS

CRO/RMO	Chief Risk Officer/Risk Management Officer
ERM	Enterprise Risk Management
IDP	Integrated Development Plan
IT	Information Technology
MFMA	Municipal Finance Management Act, no 56 of 2003
RMC	Risk Management Committee
SDBIP	Service Delivery and Budget Implementation Plan

DEFINITIONS

In this document, unless the context indicates otherwise –

Combined Assurance - A process that seeks to optimise the scope of assurance to the municipality by harmonising the work of various providers of assurance through eliminating fragmentation and duplication of efforts.

Event - An incident or occurrence from internal or external sources that affects the achievement of the municipality's objectives.

Impact - A result or effect of an event. The impact of an event can be positive or negative. A negative event is termed a "risk".

Incident - A risk that has actualised.

Inherent - The risks to the municipality in the absence of any deliberate management interventions / actions management might take to alter either the risk's impact or likelihood. In other words, the impact that the risk will have on the achievement of objectives if the current controls that are in place, are not considered.

Likelihood / Probability - The probability of the event occurring.

Operational Risk - Risks that affect the achievement of the SDBIP, mainly resulting from inadequate or failed internal processes, actions of internal staff, loss of key personnel, failure of Information Technology (IT) systems and the actions of customers, suppliers and the public.

Operations - Used with "objectives", having to do with the effectiveness and efficiency of the municipality's activities, including performance and safeguarding resources against loss.

Priority / Key Risks - Risks that are rated high on an inherent level. Risks that need to be acted upon. Risks that possess a serious threat to the municipality.

Project Risks - Risks that are identified for all major projects, covering the whole lifecycle and include long-term projects.

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 value, 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 mitigating effects of deliberate management interventions to control such exposure. (The remaining risk after management has put in place measures to control the inherent risk).

Risk - An unwanted outcome, actual or potential, to the municipality's service delivery and other performance objectives, caused by the presence of risk factors. Some risk factors 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 Factor - Any threat or event which creates or has the potential to create a risk.

Risk Intelligence - Information that is purposively identified, collected, analysed, presented and communicated for use in risk management decisions.

Risk Owner - The person responsible for managing a risk.

Risk Management - A systematic and formalised process to identify, assess, manage and monitor risks.

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

Risk Profile / Register - Also known as the risk register. The risk profile will outline the number of risks, type of risk and potential effects of the risk. This outline will allow the municipality to anticipate additional costs or disruptions to operations. Also describes the willingness of a municipality to take risks and how those risks will affect the operational strategy of the municipality.

Risk Response - Management develop strategies to reduce or eliminate the threats and events that create risks.

Risk Tolerance - The amount of risk the municipality is capable of bearing (as opposed to the amount of risk it is willing to bear).

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

Stakeholders - Parties that are affected by the municipality, such as the communities in which the municipality operates, employees, suppliers etc.

Strategic risk – used with "objectives", it has to do with high-level goals that are aligned with and support the municipality's mission or vision. Risks connected with strategy selection, implementation or revision which affects the achievement of the Integrated Development Plan (IDP). Strategic risks occur both from poor business decisions as well as the failure to effectively implement good decisions.

Mitigation / Treatment - After comparing the risk score (severity rating = impact X likelihood) with the risk tolerance, risks with unacceptable levels of risk will require treatment plans (additional action to be taken by management and/or Council).

1. RISK MANAGEMENT PHILOSOPHY

Siyancuma Municipality is committed to **risk management** to safeguard its core public service values, vision, objectives, and service delivery expectations, as outlined in **Section 152 of the Constitution of South Africa, the Municipal Finance Management Act (MFMA),** and other relevant local government legislation. In daily operations, the Municipality faces **material operational and other risks**, requiring **comprehensive controls and continuous oversight.** To enhance resilience, it has adopted an **enterprise-wide, integrated risk management approach**, embedding risk processes into **planning, operations, and new projects** to align risk management with the approved risk appetite.

To strengthen this approach, steps have been taken to **foster a disciplined risk-aware culture. Council oversees risk management** and has delegated daily implementation to the **Accounting Officer**, who is responsible for overall governance, framework execution, and ensuring that **Council and the Risk Management Committee (RMC)** receive appropriate risk reporting. **Management upholds responsibilities under the Risk Management Policy**, while all officials integrate risk management into their daily activities.

2. OVERVIEW

2.1 INTRODUCTION

The Accounting Officer has committed Siyancuma Municipality to an effective, efficient, and transparent risk management system, aligned with the principles of the **King IV Report on Corporate Governance for South Africa, 2016** and supported by the **Municipal Finance Management Act (MFMA), Act No. 56 of 2003**.

2.2 PURPOSE

This policy affirms Siyancuma Municipality's commitment to risk management and fostering a risk-aware culture. It serves as the foundation for the accompanying **Risk Management Strategy**, which supports the effective implementation of the **Enterprise Risk Management (ERM) process**.

2.3 SCOPE

The scope of this policy applies throughout Siyancuma Municipality in as far as risk management is concerned.

2.4 BACKGROUND

2.4.1 Legislative Mandate

Section 62(1)(c)(i) and 95(c)(i) of the MFMA states that:

"The accounting officer of the municipality and municipal entity 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."

2.4.2 Objectives of Risk Management

The objectives of risk management are to support informed decision-making by:

- Ensuring significant risks are effectively managed.
- Enhancing operational performance through better decision-making and planning.
- Encouraging a balanced risk culture that embraces calculated risks for municipal benefit.
- Strengthening integrated risk management and internal control as pillars of good governance.

2.4.3 Benefits of Risk Management

The risk management process significantly contributes to achieving municipal objectives by:

- Ensuring sustainable and reliable service delivery.
- Enhancing decision-making with rigorous analysis.
- Reducing waste.
- Preventing fraud and corruption.
- Minimizing unexpected crises.
- Protecting the municipality's reputation and image.
- Ensuring effective reporting and legal compliance.
- Maximizing value through efficient resource use.
- Improving project and program management for better outcomes.

2.4.4 Risk, Risk Management and Enterprise Risk Management

Risk refers to an uncertain future event that may impact the municipality's strategic and business objectives.

Risk Management is a structured, formal process established to identify, assess, manage, monitor, and report risks, ensuring objective achievement.

Enterprise Risk Management (ERM) is an organisation-wide process led by the Accounting Officer, management, and staff, integrated into strategy-setting to identify potential risks, manage them within the municipality's risk appetite, and provide reasonable assurance of achieving objectives.

2.4.5 Risk Management Approach

The **risk management approach** defines the processes, techniques, tools, and roles and responsibilities. The Municipality selects the most suitable approach based on stakeholder needs, with the most common method being the management of individual risks recorded and assessed in a **risk register**—a simple yet effective tool when properly applied. Alternative approaches may be used depending on project objectives, scope, required decisions, available resources, and stakeholder requirements. Techniques and tools must enhance risk management efficiency and effectiveness on a **cost-benefit basis**, including options such as electronic risk management systems or **MS Excel-based toolkits** which is what Siyancuma Local Municipality will be using.

3. ROLES AND RESPONSIBILITIES

All personnel within Siyancuma Municipality have a role to play in the risk management process. The primary responsibility for identifying and managing risks is vested in management.

3.1 RISK MANAGEMENT OVERSIGHT

3.1.1 Executive Authority (Council)

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 Siyancuma Municipality against significant risks.

3.1.2 Audit Committee

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 regarding risk management are formally defined in its charter. Their primary responsibility is to provide an independent and objective view of the effectiveness of the municipality's risk management process.

3.1.3 Risk Management Committee

The RMC is appointed by the Accounting Officer to assist in the discharge of his/her risk management responsibilities. The RMC'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 RMC are formally defined in its charter.

3.2 RISK MANAGEMENT IMPLEMENTERS

3.2.1 Accounting Officer

The Accounting Officer is ultimately responsible for risk management within the municipality. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

3.2.2 Chief Risk Officer/Risk Officer

The Chief Risk Officer (CRO) plays a critical role in embedding risk management within the institution, leveraging its benefits to enhance overall performance. The CRO is accountable to the Accounting Officer/Authority, ensuring a balance between risk and reward while coordinating the institution's risk management approach. To fulfil this role effectively, the CRO and their staff must possess the necessary skills, competencies, and attitudes required for effective execution of their functions.

3.2.3 Management

Management at all levels within the municipality's risk management philosophy, promote compliance with the risk appetite and manage risks within their areas of responsibility.

3.2.4 Other Officials

Other officials are responsible for integrating risk management into their day-to-day activities i.e. by ensuring conformance with controls.

3.3 RISK MANAGEMENT SUPPORT

3.3.1 Risk Champions and Risk Co-ordinators

Risk Champions generally hold senior positions within the municipality and possess skills, knowledge and leadership qualities required to champion a particular aspect of risk management. The Risk Champions' primary responsibility is to advise on,

formulating, overseeing and managing all aspects of a municipality's risk management system. The Risk Champions monitor the municipality's entire risk profile, ensuring that major risks are identified and reported upwards.

Risk Co-ordinators provide support to the Risk Champions. They are officials within various departments, who possess skills, knowledge and leadership qualities required to champion a particular aspect of risk management within their department.

3.4 RISK MANAGEMENT ASSURANCE PROVIDERS

3.4.1 Internal Audit

The core role of Internal Audit in risk management is to provide an independent, objective assurance to Council and the Audit Committee on the effectiveness of risk management. Internal Audit also assists in bringing about a systematic, disciplined approach to evaluate and improve the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

3.4.2 External Audit

During audits the Auditor-General of South Africa (AG) highlights weaknesses and deficiencies with regards to control weaknesses, providing independent assurance on the effectiveness of the risk management activities.

3.4.3 Risk Audience

Except for members of the risk audience which have roles and duties assigned to them in paragraph 5.1 to 5.4 the following external interest groups also form part of the municipality's risk audience, e.g.

- Citizens
- Commerce and Business
- Investors
- Other spheres of Government (Provincial and National)
- Interest groups
- Community forums e.g. Rate-payers association
- Other authorities
- Visitors

External audiences' involvement is largely addressed in the municipality's Annual Report and therefore the integrity, reliability and timeliness of information reported is essential.

4. RISK MANAGEMENT PROCESS

The risk management process consists of eight (8) components.

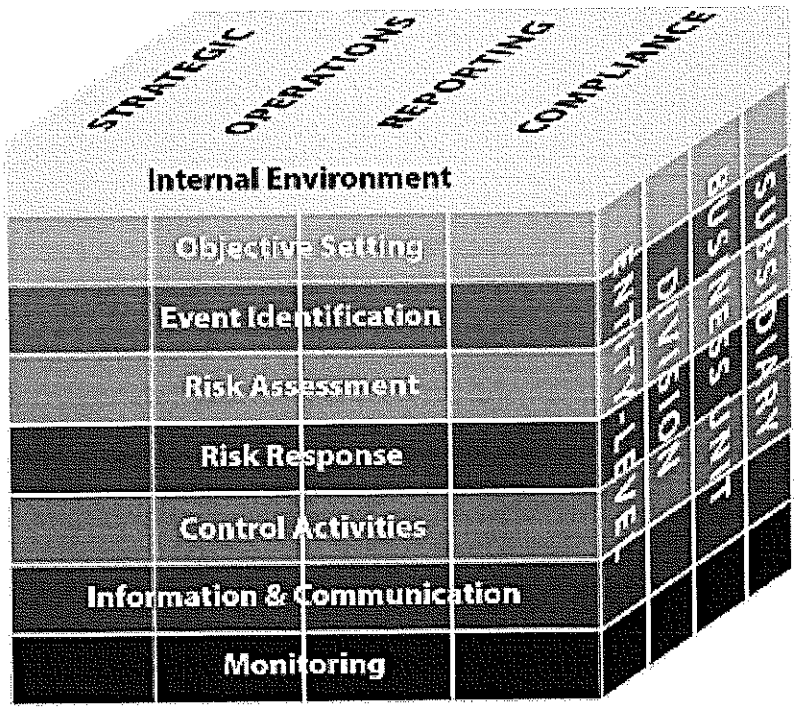


Figure 1: Risk Management Process

4.1 INTERNAL ENVIRONMENT

The internal environment encompasses the tone of Siyancuma Municipality, influencing the risk consciousness of its people. It is the foundation for all other components of risk management, providing discipline and structure.

4.2 OBJECTIVE SETTING

Objectives are set at the strategic level, establishing a basis for operations, reporting, and compliance objectives. Objectives are to be aligned with the municipality's risk appetite.

4.3 EVENT IDENTIFICATION

Event identification is the process of identifying potential events affecting Siyancuma Municipality's ability to successfully implement strategy and achieve objectives.

4.4 RISK ASSESSMENT

Risk assessments allow the municipality to consider the extent to which potential events might have an impact on the achievement of objectives. Management should

assess events from two perspectives, impact and likelihood, and normally uses the quantitative method i.e. risk rating scales for both the inherent and residual basis.

4.5 RISK RESPONSE

Having assessed relevant risks, management determines how it will respond. Responses include risk avoidance, reduction, sharing and acceptance.

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, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

4.6.1 Risk Appetite

The term "risk appetite" can be defined as the acceptable level or amount of risk that the municipality is willing to accept, before action is needed to reduce it.

Siyancuma Municipality has set its risk appetite level at an acceptable level not to put the municipality or the community at social, health and or economic risk and to maintain acceptable levels of service delivery. The municipality has committed itself to aggressively pursue managing risks to be within its risk appetite to avoid exposures to losses and to manage actions that could have a negative impact on the reputation of the municipality.

The parameters and different levels of the risk appetite are addressed in the Risk Management Strategy and Implementation Plan.

4.7 INFORMATION AND COMMUNICATION

Pertinent information is identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Effective communication also occurs, flowing down, across and up in the municipality. All personnel receive a clear message from top management that risk management responsibilities must be taken seriously. They understand their own role in risk management, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There is also effective communication with external parties.

4.8 MONITORING

Monitoring risk management is a process that assesses the presence and functioning of its components over time. This is accomplished through on-going monitoring activities, separate evaluations or a combination of the two. On-going monitoring occurs in the normal course of management activities. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of on-going monitoring procedures.

5. REPORTING

Relevant information, properly and timeously communicated to relevant stakeholders, is essential to equip such stakeholders to identify, assess and respond to risks. This may include implementing a risk management reporting system, incident reporting system and emergency risk warning system.

6. PROFICIENCY AND DUE PROFESSIONAL CARE

Risk management activities must be performed with proficiency and due professional care. ERM and Risk Community officials should apply the care and skill expected of reasonably prudent and competent risk management officials. Management must exercise due professional care by considering the cost of managing the risk in relation to the value of the objective. Management defines and implements controls and actions to manage risk to reduce the probability of significant errors, irregularities or non-compliance.

ERM, risk community officials and management must be alert to the significant risks that might affect objectives, operations or resources, but cannot guarantee that all significant risks will be identified.

ERM and Risk Community officials should enhance their knowledge, skills, and other competencies through continuing professional development. This is a repetitive process and it is expected to develop as risk management matures and becomes embedded within the municipality.

7. POLICY REVIEW

The policy should be reviewed annually, and amendments recommended to Council for approval.

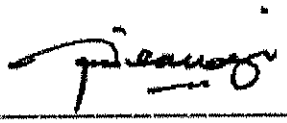
8. COUNCIL RESOLUTION NUMBER:

This policy must be adopted by council and the adoption thereof should be reflected in council minutes

9. SIGNITORIES



Cllr. Johannes George
Honourable Speaker



Mr. Madoda Vilakazi
Municipal Manager