SIYANCUMA
MUNICIPALITY MUNISIPALITEIT

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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,

	requiring regular reviews, at least annually or as and when internal and external changes influence the Municipality's strategies and objectives.
Risk Assurance	The Risk Assurance functions are that of Internal and External Audit (Auditor General) and it is in their scope of work to provide assurance opinions.
Terminology	**Definition of terminology**
Risk Categories	Grouping of risks with similar characteristics used in establishing the Municipality's risk portfolio (see risk profile). Ultimately determined by the client, the characteristics used to define risk categories typically reflect the Municipality's business model, industry or other factor that drives risk within the organisation.
Risk Management	Risk management is a systematic approach to setting the best course of action under uncertainty by assessing, understanding, acting on and communicating risk issues and opportunities.
Risk Owner	The person responsible for managing a particular risk.
Risk Profile	Identification and listing of risks, typically in order of highest to lowest based on a qualitative or quantitative measurement approved by client management.
Risk Ratings	The analysis of risks identified in terms of impact and likelihood to obtain a rating after taking the relevant control effectiveness into account.
Risk Register	The risk profile will outline the number of risks and the impact of the risk. This outline will allow the municipality to anticipate additional costs or disruptions to operations. Also describes the willingness of the 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 Treatment	The process of selecting and implementing measures to modify risk (avoidance, termination, transfer, treat, tolerance (acceptance), exploitation, or mitigation).
Service Delivery Budget Implementation Plan (SDBIP)	Business Unit Plan to delivery on the IDP (The Municipality's goals/objectives) based on their budget allocations. SDBIP's depict specific business unit objectives, key performance indicators, inputs, outputs, outcomes, targets and annual/quarterly milestones to be achieved.
Stakeholders	Parties that are affected by the Municipality, such as the communities in with the Municipality operates, employees, suppliers etc.
Strategic	Used with "objectives: it has to do with high-level goals that are aligned with and support the Municipality's mission and/or vision.

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.

- Section 166 states that an Audit Committee is an independent advisory body which must advise the Council, the political office-bearers, the Accounting Officer and the management staff of the municipality on matters relating to risk management.

- Section 112(1)(m) states that the municipality must apply measures for combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management.

2.2 OTHER LEGISLATION

Risk management is contained in various other pieces of legislation and the Municipality needs to take cognizance of these requirements when addressing the risk exposures of specific Directorates. These would include inter alia - the Occupational Health and Safety Act (1993), Disaster Management Act (2002), Prevention of Fraud and Corruption Act, etc.

3. GUIDANCE AND STANDARDS RELEVANT TO RISK MANAGEMENT

Relevant standards and guidance relating to risk management were considered. These are not prescriptive and are referred to for guidance purposes.

3.1 KING IV REPORT ON CORPORATE GOVERNANCE, 2016

The King IV Report on Corporate Governance for South Africa, 2016 (herein referred to as "King IV Report") sets out the philosophy, principles, practices and outcomes which serve as the benchmark for corporate governance in South Africa.

3.2 INTERNATIONAL ORGANISATION FOR STANDARDISATION: ISO 31000

ISO 31000 is an International Standard that provides a generic approach, principals and guidelines for managing of any form of risk in a systematic, transparent and credible manner and within any scope and context.

3.1 THE COMMITTEE OF SPONSORING ORGANISATIONS OF THE TREADWAY COMMISSION

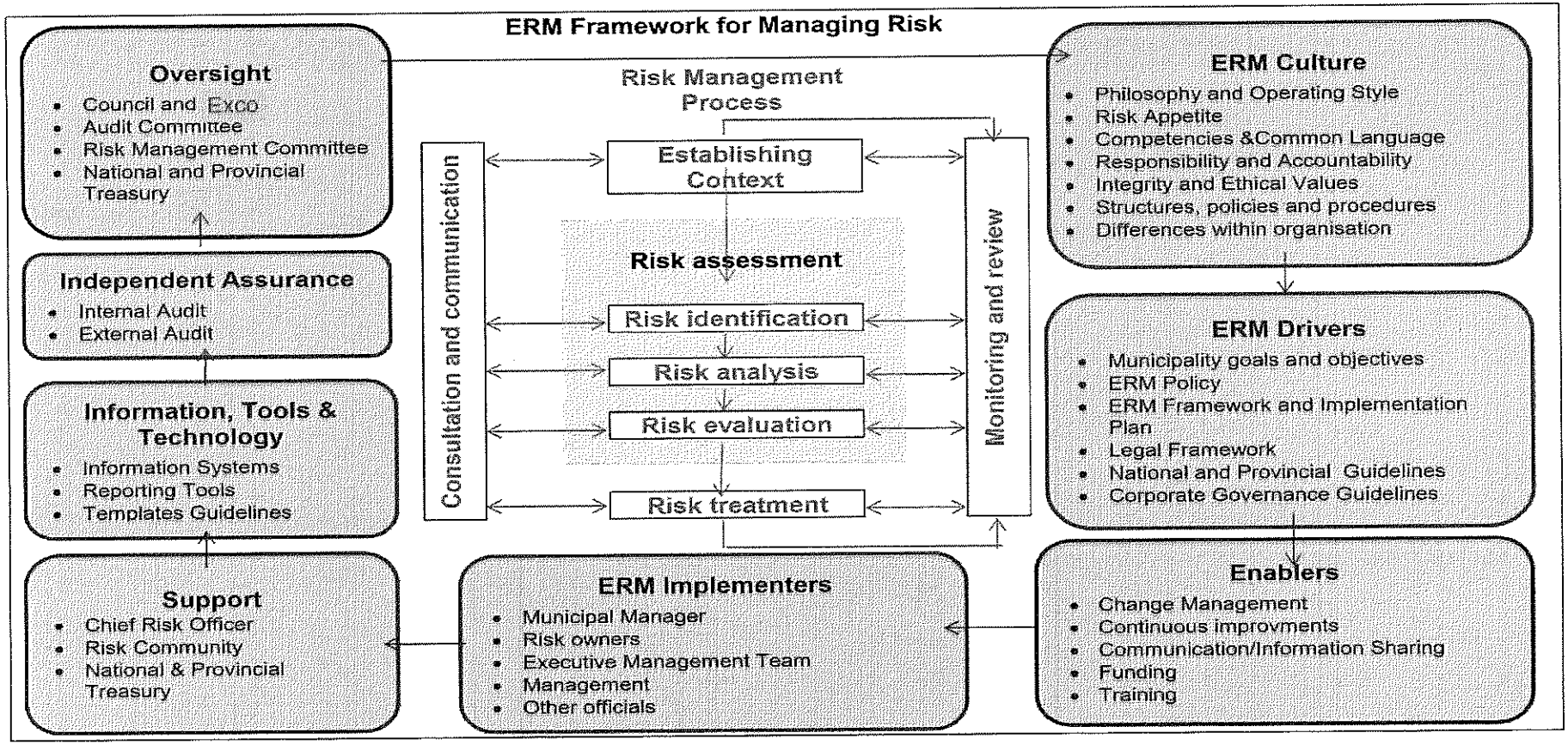
The Committee of Sponsoring Organisations of the Treadway Commission (COSO) is a joint initiative of five private sector organisations and is dedicated to providing leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The COSO Enterprise Risk Management – Integrated Framework defines essential ERM components, discusses key ERM principles and concepts, suggests a common ERM language, and provides clear direction and guidance for ERM.

3.2 THE LOCAL GOVERNMENT RISK MANAGEMENT FRAMEWORK

The Local Government Risk Management Framework has been developed by National Treasury in response to the requirements of the MFMA for municipalities to implement and maintain effective, efficient and transparent systems of risk management and control. The Framework devolves from the Public Sector Risk Management Framework. It has been customised to be local government centric with inputs drawn from applicable legislation, the Public Sector Risk Management Framework itself, as well as various local and international risk standards, guidelines and governance codes.

4. ERM FRAMEWORK OF SIYANCUMA LOCAL MUNICIPALITY

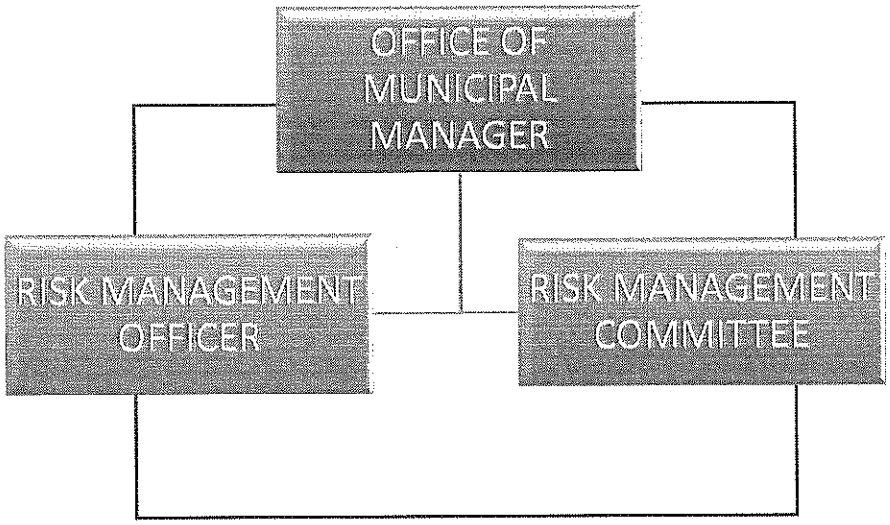
The various role-players, processes and systems should be coordinated in a structured manner (ISO31000:2009) as depicted below.



5. IMPLEMENTATION OF RISK MANAGEMENT

5.1 REPORTING LINES

The Municipality has set up appropriate internal structures and delegations to ensure that roles and responsibilities of individual contributions of all role players in terms of ERM can converge in a systematic and coordinated manner. The reporting structure is as follows:



6. ROLES AND RESPONSIBILITIES

All personnel within the SLM have a responsibility for maintaining good internal controls and managing risk in order to achieve the Municipality's objectives. The fact that all people involved in the ERM process must be competent, willing and have the necessary capacity to perform such roles cannot be over-emphasised. Risk Management activities must be performed with proficiency and due professional care.

To assist personnel with understanding their roles and responsibilities, the following tables of guidelines per role player are included:

6.1 EXECUTIVE AUTHORITY/COUNCIL [ROLE: OVERSIGHT]

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 municipality against significant risks to ensure the achievement of objectives, as detailed in the Service Delivery and Budget Implementation Plan (SDBIP). Council should provide leadership to governance and risk management.

The table below ***provides guidance*** with regards to Council's recommended roles and responsibilities:

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

17	Evaluate the effectiveness of Internal Audit in its responsibilities for risk management.	Annually
18	Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	On-going
19	Advise Council on any matters that come to their attention that require Council intervention.	When required
20	Review the internal and external audit plans and ensure that these plans address the risk areas of the Municipality.	Annually
21	Review the risk registers and dashboards.	Quarterly

6.3 MUNICIPAL MANAGER / ACCOUNTING OFFICER

The Municipal Manager is ultimately responsible for risk management and is accountable for the overall governance of risk within the Municipality. The legislative instrument which provides the legal foundation for the Municipal Manager's responsibility for risk management is Section 62(1)(c)(i) of the MFMA.

The table below provides guidance with regards to the Municipal Manager's / Accounting Officer's recommended roles and responsibilities in ERM:

Ref.	Activity	Frequency
22	Appoint a CRO.	As required
23	Appoint RMC members with the necessary skills, competencies and attributes.	As required
24	Approve the RMC TOR/Charter.	Annually
25	Recommend amendments of the Risk Management Policy to Council for approval.	Annually
26	Recommend amendments of the ERM Framework to Council for approval.	Annually
27	Recommend amendments to the Fraud Prevention Framework to Council for approval.	Annually
28	Recommend amendments to the risk appetite to Council for approval.	Annually
29	Ensure appropriate action in respect of recommendations of the Audit Committee, Internal Audit, External Audit and RMC to improve ERM.	On-going
30	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. • The top risks facing the Municipality. • Any risk developments (changes) / incidents / losses. • Recommendations to address any deficiencies identified.	Quarterly
31	Be aware of possible manipulation of risks and risk ratings which could be detrimental to proper decision making.	On-going

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:

Ref.	Activity	Frequency
37	Empower officials to perform effectively in their risk management responsibilities.	On-going
38	Devote personal attention to overseeing the management of key risks within their area of responsibility.	On-going
39	Maintain a co-operative relationship with the RMO and Risk Champions.	On-going
40	Present their ERM report to RMC and must clarify and verify the integrity of the risk registers submitted at RMC meetings.	When required
41	Maintain the proper functioning of the control environment within their area of responsibility.	On-going
42	Continuously monitor the implementation of risk management within their area of responsibility.	On-going
43	Hold officials accountable for their specific risk management responsibilities.	On-going
44	Be aware of possible manipulation of risks and risk ratings which could be detrimental to proper decision making.	On-going

6.5 RISK MANAGEMENT COMMITTEE

The RMC is responsible for assisting the Municipal Manager in addressing the oversight requirements of risk management and evaluating and monitoring the Municipality's performance with regards to risk management. The RMC is appointed by the Municipal Manager and its role is to formulate, promote and review the ERM objectives, strategy and policy and monitor the process at strategic, management and operational levels. The detailed roles and responsibilities are detailed in their appointment letters.

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

Ref.	Activity	Frequency
45	Formally define its responsibilities with respect to ERM in its Terms of Reference	Annually
46	Meet on a quarterly basis.	Quarterly
47	Review and recommend for the approval of Council, amendments to the ERM Policy.	Annually
48	Review and recommend for the approval of Council, amendments to the risk appetite.	Annually
49	Review and recommend for the approval of Council, amendments to the ERM Strategy and Implementation Plan.	Annually
50	Review and comment on the Municipality's Fraud Prevention Framework	Annually
51	Arrange for top risks to be formally re-evaluated at least once a year.	Annually
52	Advise Council on how to improve management of the Municipality's risks.	Annually

53	Review ERM progress on a quarterly basis.	Quarterly
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

6.7 RISK COMMUNITY: RISK CHAMPIONS AND RISK CO-ORDINATORS

The Risk Community is made up of Risk Champions and Risk Coordinators. They are officials within the various Directorates who are to provide support to the RMO in their respective Directorates and Departments, in order to ensure that ERM is carried out in accordance with SLM ERM Policy, Strategy and Implementation Plan.

Risk Champions and Risk Coordinators should not assume the role of the Risk Owner but should assist the Risk Owner to resolve problems, queries and / or skills transfer. The detailed roles and responsibilities are detailed in their appointment letters.

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.

It is recommended that every Directorate should have at least one Risk Champion, and every Department should have at least one Risk Co-ordinator.

The tables below provide guidance with regards to the recommended roles and responsibilities in ERM for Risk Champions and Risk Co-ordinators.

(a) Risk Champions:

Ref.	Activity	Frequency
69	Guidance per the LGRMF: • Advocating the culture of change and adopting risk management as a professional discipline to be adopted in every day management of activities and to strategically influence the current way of doing things which is compliance driven; • Educating the stakeholders of the importance of managing risk in dealing with public funds, the responsibility that goes beyond meeting the requirements of meeting the requirements of financial management prescripts but most importantly impacting positively service delivery; • Communicating the right message and driving this message to influence behaviour and discipline in getting the basics right. This extends further to ensuring the use of a common risk management language and consistent messages in all communications, and • Informing the users and stakeholders of current demands, need to improve, what to improve and how to improve to leave the legacy that goes beyond compliance but continuous improvement of accountability and service delivery. • Understand risk management electronic system (e.g. MS Excel, etc) in order to provide support to the Directorate.	Continuously

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

81	Submit reports to the Risk Management Section on completion of the Directorate risk assessments: • Risk registers. • Risk reports which are adequately signed-off. Changes to risk registers (regularly)	When required
82	Ensure feedback to the Risk Management Section on the following risk management activities within the Directorate: • The status of risk management. • Risk management related actions within Directorate. • This may be done through Risk Management Workshops and Treatment Action Plans (TAPs) sessions.	When required

(b) Risk Co-ordinators:

Ref.	Activity	Frequency
83	Read and understand the content in the Risk Management Policy, Risk Management Strategy and Implementation Plan, and more importantly their roles and responsibilities in the risk management process.	Continuously
84	Provide appropriate feedback to Risk Champions with regards to risk management activities.	Continuously
85	Ensure that Risk Management is a standing agenda point on their Department's Management meetings and actively discussed.	Continuously
86	To inform the Risk Champion of replacement Risk Co-ordinators if their duties in this regard are assigned to new risk co-ordinators or if someone is standing in for them for a specific period.	Continuously
87	To inform the Risk Champion of any ERM related risk training needs within their Department.	Continuously
88	Assist the Risk Champions with risk processes including: Prompt risk owners for emerging and new risks to be included on the risk registers.	Continuously

6.8 INTERNAL AUDIT [ASSURANCE PROVIDER]

Internal Audit should provide independent, objective assurance on the effectiveness of SLM system of risk management.

Refer to the table below to obtain guidance with regards to Internal Audit's mandate in ERM:

Ref.	Activity	Frequency
89	Provide assurance on the ERM process design and its effectiveness.	Annually
90	Provide assurance on the management of "key risks" including, the effectiveness of the controls and other responses to the "key risk".	Annually
91	Provide assurance on the assessment and reporting of risk and controls and the validation thereof.	Annually

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.

In addition, the AGSA during the process of highlighting weaknesses or deficiencies with regards to control weaknesses, provides an independent opinion on the effectiveness of the risk management in the Municipality. The responsibilities of External Audit include:

1. Determining whether the risk management policy, strategy and implementation plan are in place and are appropriate.
2. Assessing the implementation of the risk management policy, strategy and implementation plan.
3. 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.
4. Reviewing the risk assessment process to determine if it is sufficiently robust to facilitate timely and accurate risk rating and prioritisation.))
5. Determining whether the management action plans to mitigate the key risks are appropriate and are being effectively implemented.

6.10.2 NATIONAL AND PROVINCIAL TREASURY

National/Provincial Treasury has a constitutional mandate to provide guidelines and oversight in respect of the effective functioning of ERM within the Municipality.

4 RISK MANAGEMENT PROCESS

The risk management process is a structured approach to incorporating risk management into the daily, broader management process. The risk management process is informed by the IDP, where risks/opportunities associated with strategic objectives are determined. This will ensure that the organisation covers all aspects to ensure compliance with and achievement of the goals set. Subsequently, the risk management process will inform the SDBIP in determining key performance indicators.

There are eight (8) steps to be followed in the risk management process:

4.1 INTERNAL ENVIRONMENT

The municipality's internal environment is the foundation of all other components of risk management. The internal environment encompasses the tone of Siyancuma Local 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

Setting objectives is essential for identifying events, assessing risks, and formulating responses. Management must define objectives before identifying risks that could hinder their achievement and take necessary actions to manage those risks.

4.3 RISK IDENTIFICATION

The municipality must identify internal and external events that affect the achievement of its objectives. The guidance distinguishes events with a negative impact representing risks and events with a positive impact representing opportunities.

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 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

combined with necessary manual process controls, these measures ensure the completeness, accuracy, and validity of the information.

The Public Service Corporate ICT Governance Policy Framework has identified 8 principles, where one's focus is risk management and assurance which states that management must ensure that ICT risks are managed within the municipal risk management practice. ICT must also ensure that the ICT function is audited as part of the municipal audit plan.

4.7 INFORMATION AND COMMUNICATION

Pertinent information is identified, captured and communicated in a form and timeframe that enables 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 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.

4.8 MONITORING

Monitoring risk management is a process that evaluates the presence and effectiveness of its components over time. This is done through continuous monitoring activities, separate evaluations, or a combination. Ongoing monitoring takes place during regular management activities. The scope and frequency of separate evaluations primarily depend on an assessment of risks and how effective the ongoing monitoring procedures are.

4.8.1 Monitoring is an integral part of risk management, as it provides information that assists with making effective decisions before risks occur. It is a process that systematically tracks and evaluates the effectiveness of risk mitigation options and assists in identifying new risks.

4.8.2 Risk monitoring must not be construed as a problem-solving technique, but rather, as a proactive technique to observe the results of risk mitigation. However, this does not mean that it does not provide room for capturing lessons learnt for future risk assessments and allocation efforts.

4.8.3 The Audit and Risk Management Committee is responsible for the evaluation of risk management processes as well as the risk management strategy to ensure that it produces sustainable outcomes as envisaged.

4.8.4 The objectives are to determine if:

- risk mitigation action plans have been implemented as planned;
- risk mitigation action plans are as effective as expected;
- the level of risk priority has changed from its prior state;
- a risk event has occurred;
- proper policies and procedures were followed; and
- risks not previously identified have occurred.

5 REPORTING

The following reports will be compiled and presented to the Council, Audit Committee, and Senior Managers.

- 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.
- The following documents will be requested from the Municipality for preparation, to gather business background and to obtain an understanding of the municipality's operations;

Strategic Risk Assessment

- Integrated Development Plan
- Annual Report
- Service Delivery and Budget Implementation
- Organisational Structure
- Internal Audit Report
- Previous Risk Register
- Auditor General report

Operational Risk Assessment

- Operational Plans
- Internal Audit Report
- Previous risk report if available

8.2 DURING THE WORKSHOP

The risk assessment session is aimed at soliciting inputs from both management and staff across the department, based on the preliminary risk register/ list prepared by the facilitators. The risk assessment will be conducted in the form of a consultative workshop and the top-down approach will be utilised.

The participants are guided by the facilitator in identifying risks, their causes and current controls as well as mitigating actions/ recommendations to manage such risks to an acceptable level.

Focus areas and targeted participants will be as follows:

	Strategic risk assessment	**Operational risk assessment**
Focus	Strategic objectives (5 key performance areas)	Directorates measurable objectives
Participants	Senior Management	Line Management

Risk Likelihood/ Impact assessment criteria

All risks identified during the workshop are being rated by the participants, against their probability and impact both inherently and residual ratings.

- Likelihood, also known as probability, is defined as the chances that the risk will occur based on previous history, management experience and any current situation; and
- Impact, also known as consequence, is defined as the level or extent to which the risk would affect the ability of the business to deliver its strategy and objectives.

The Siyancuma Local Municipality will use the risk-rating guide below to assess all identified risks:

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.

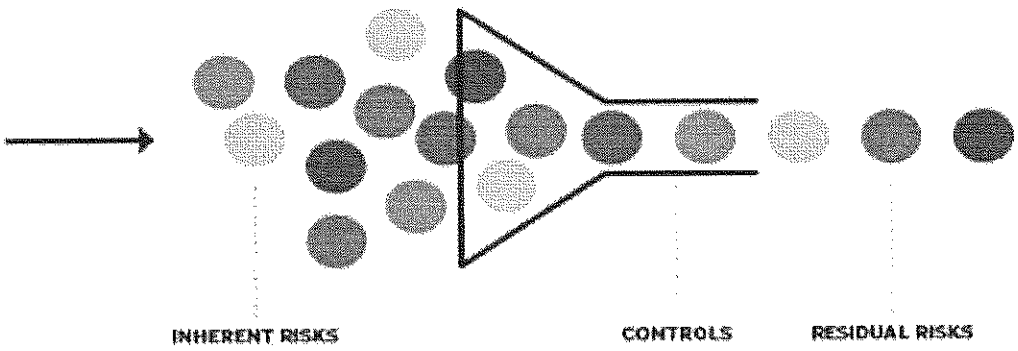
Risk Matrix

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	16	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)

The diagram below depicts the differences between inherent and residual risk exposures.



RATING GUIDE FOR PERCEIVED CONTROL EFFECTIVENESS

CONTROL RATE	CONTROL STRENGTH	DESCRIPTION	CONTROL WEIGHT
5	No control	Controls and /or Management activities are non-existent or have a major deficiency and do not operate as intended.	0%
4	Weak	With limited controls and/ or management activities in place, a high level of risk remains.	25%
3	Moderate Controls	Limited controls and/ or management activities in place, with significant opportunities for improvement identified in the design or effectiveness.	50%
2	Strong controls	Controls and/ or Management activities are properly designed and operating with opportunities for improvement identified.	75%
1	Very strong controls	Controls and/ or Management activities are properly designed and operating as intended.	90%

9 POST-WORKSHOP

The information from the workshop will be recorded in an Excel spreadsheet, categorizing risks into High, Medium, and Low-impact levels. This information will be analysed for management purposes and will be included in the risk assessment report that will be presented to senior management.

10 IMPLEMENTATION OF ACTION PLANS

Action plans are assessed based on the following implementation status:

Implemented	100%
Implementation in progress	Between 1% and 99%
Not yet started	0%

11 REVIEW OF THE RISK MANAGEMENT STRATEGY

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

12 APPROVAL

Cllr. Johannes George
Honourable Speaker

Mr. Madoda Vilakazi
Municipal Manager