RISK MANAGEMENT STRATEGY

Financial Year 2025-2026

Moleboheng Modisenyane

	TABLE OF CONTENTS	
1.	Introduction	4
2.	Mission Statement	4
3.	The Need	4
4.	Objectives	5
5.	Risk Management Methodologies	5-14
6.	Role of Municipal Council	17
7	Role of Audit Committee	17
8	Establishment Risk Management Committee	17
9	Responsibilities of the Risk Management Committee	17
10	Responsibilities of the Accounting Officer	18
11	Responsibilities of Management	19
12	Role of Internal Audit	19
13	Responsibilities of Risk & Compliance Manager	19
14	Role of IDP/PMS Manager	20
15	Role of all Officials	20
16	Role of Risk Champions	21
17	Role of Provincial Treasury	21
18	Disclosure	21
19	Liabilities and Risks Payable in Foreign Currencies	18
20	Conclusion	20
21	Approval	18

Definitions

Risk:	Any threat or event that has a reasonable chance of occurring in the future, which could undermine the Municipality's pursuit of its goals and Objectives
Risk Management	The method of identifying, analysing, assessing, treating, monitoring and communicating risks associated with any activity, function or process that will enable organisations to maximise opportunities and minimise losses.
Enterprise Risk Management:	Enterprise risk management (ERM) is the application of risk management throughout the Municipality rather than only in selected business areas or disciplines.
Risk Analysis:	A process that involves identifying the most probable threats and analysing the related vulnerabilities. This includes risk assessment, risk categorising risk communication, risk management, and policy relating to risk.
Risk Assessment	The process of determining the probability as well as the impact of the identified risk as a basis of determining how they should be managed
Risk Identification:	The process concerned with identifying events that produce risks that threaten the achievement of objectives
Risk Register	A record of all relevant information relating to the identification and management of a risk.
Inherent Risks:	A risk that is intrinsic activity and arises from exposure and uncertainty from potential events. It is evaluated by considering the degree of probability and potential size of an adverse impact on strategic objectives and other activities.
Residual Risk:	Is the amount of risk or danger associated with action or event remaining after natural or inherent risk have been reduced by risk controls?
Risk Appetite	Risk appetite is the amount of risk an institution is willing to accept in executing its mandate. The risk appetite is directly related to the institution's strategy. It is considered in strategy setting, where the desired outcome from a strategy should be aligned with the Institution's risk appetite.

Fraud Risk Register	Fraud Risk Register is a centralized document that identifies, analyses and tracks potential fraudulent activities within the organisation.
Risk Capacity	Risk Capacity is the amount of risk the municipality requires to meet their goals meaning total risk exposure that is consistent with the objectives.
Risk Mitigation	To mitigate risk one devises strategies & implements measures to: • Lessen impact of risk when it occurs • Reduce likelihood of risk occurring
Strategic Risks:	Any potential obstacles that may impacts on the ability of the Municipality to achieve its strategic objectives.
Risk Response:	The process concerned with determining how the Municipality will mitigate the risks which being confronted with, through consideration of alternatives such as risk avoidance, reduction, risk sharing or acceptance.
Monitor	The process of monitoring and assessing the presence and functioning of the various units of the municipality over- period.
Municipal Council	Elected members as per National Legislation which prescribed by electoral system.
Accounting Officer	The person who manages the overall administration of the municipality
Risk Owner .	The person accountable for managing a particular risk
Risk and Compliance Manager	The Risk Officer is a person with the skills, knowledge and leadership required to champion the risk management cause.
IDP/PMS	The person manages Integrated Development Plan and Performance Management Systems
Internal Audit	The person who assists the municipality in defining areas where there could be improvements to accomplish its goals

1.Introduction

The adoption of the Municipal Finance Management Act 56 of 2003, infused the public service with Municipality culture, which add the emphasis on external sanctions and include stronger internal controls with anticipatory management systems to assess the abuse of power, which is the central principle. Risk management is central in managing Municipality as a whole, and it is why risk management is integral in planning, organising, directing and coordinating systems aimed at achieving Municipality goals and objectives.

A major challenge for any Municipality is to develop and implement strategies to deliver on mandates and policies decided on by the Municipal Council. One of the most important mandates is the development and implementation of an integrated Risk Management Strategy whose major objective is to encourage best practice within an evolving service delivery mechanism while minimising the risks and ensuring that municipality objectives are achieved.

2. Mission Statement

To provide quality sustainable services in an efficient, effective and economic manner to all communities through the promotion of community participation, good governance and improved inter-governmental values.

3. The Need

The need to manage risk systematically applies to departments and to all functions and activities within a Municipality.

3.1 An effective risk management strategy helps the Municipality to achieve its objectives by ensuring that everyone has a clear understanding of the following:

a) The objectives of the municipality as outline in Integrated Development Plan

b) Factors that could impact on the municipality ability to achieve objectives

c) The actions necessary to ensure objectives are achieved through development and approval of Risk Registers as listed below:
   - I. Strategic Risk Register – (IDP Strategies)
   - II. External Risks Register – (Service Delivery Protest, Covid-19)
   - III. Operational /Preventative Risk Register (Car Accidents, Financial Loses)
   - IV. Fraud Risk Register (Fraud and Anti- Corruptions)

3.2 An effective Risk Management Strategy can:

a) Improve accountability by ensuring that risks are explicitly stated and understood by all parties, that the management of risks is monitored and reported on, and that action is taken based on the results.
b) Focus on planning to deal with factors that may impact on the objectives of the Municipality and provide an early warning signal.
c) Ensure opportunities are not missed and surprise costs do not arise.

4. Objectives

The objectives of Risk Management Strategy are as follows:

a) To provide and maintain a working environment where everyone is following sound risk management practices and is held accountable for achieving expected results.

b) To provide methodologies which the personnel will utilise to implement risk management

c) To provide support and create a conducive working environment in ensuring that everyone has the capacity and resources to carry out his or her risk management responsibilities.

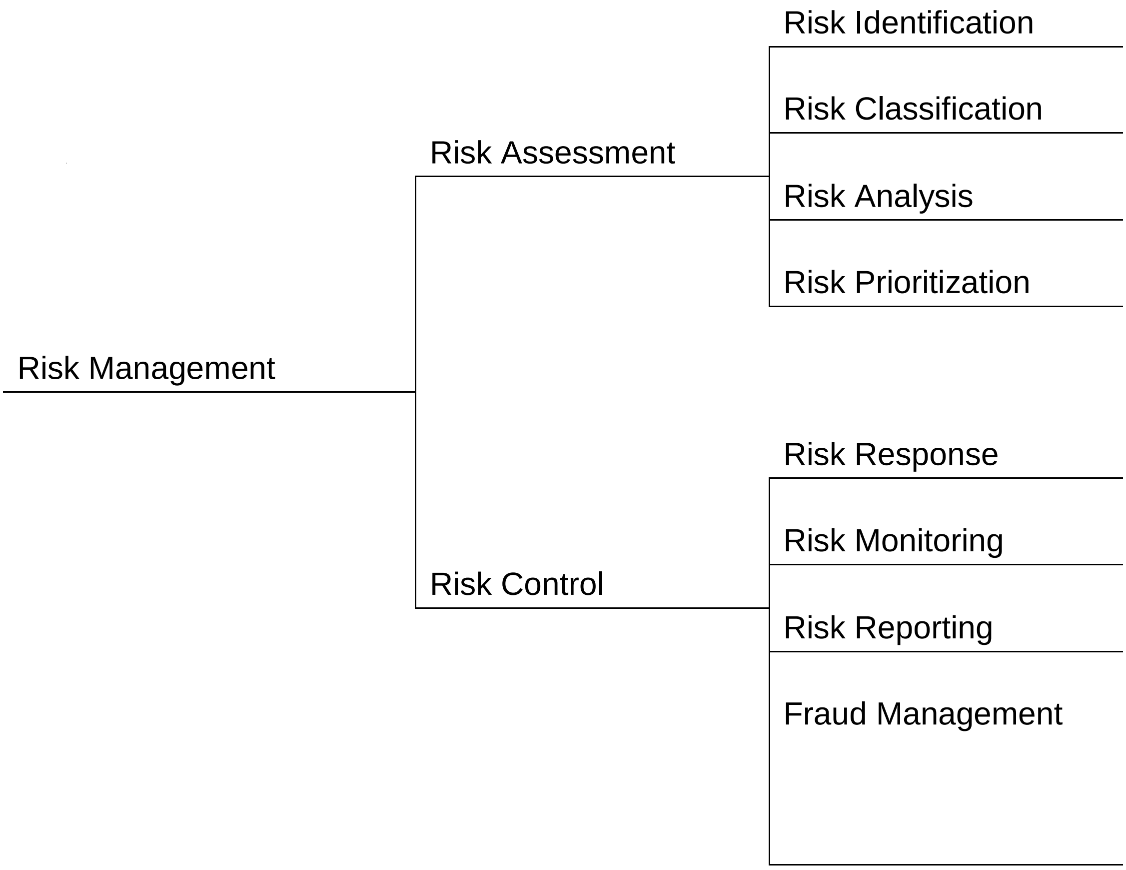
d) To ensure that risk management activities are fully integrated into the planning, monitoring and reporting processes on daily management of program plan.

5. Risk Management Methodologies

5.1 Risk Management

a) Integrated Risk Management is an important process that empowers municipality with necessary tools to deal with potential risks in all areas of service
b) Risk Management recognises that risks (including opportunities) are dynamic and often highly interdependent and ought not to be considered and managed in isolation.
c) Risk Management responds to this challenge by providing a methodology for managing municipality wide risk in an integrated way.

The risk management framework of the Municipality will be depicted as follows:



5.2 Risk Identification - Using a business process approach, risks are identified in the Municipality. A business process approach involves identifying all the directorates or processes within a Municipality. Risks will be identified on directorate level by having structured interviews and / or workshops with key process personnel.

Risk - Any threat or event that has a reasonable chance of occurring in the future, which could undermine the Municipality's pursuit of its goals and Objectives.

A risk has two attributes that must be articulated as follows:

- A cause (i.e. any event or action).
- An effect (i.e. impact on achievement of business objectives).

The three constituent elements of risk are:

- Inherent risk
- Control risk
- Residual Risk

5.2.1 Inherent Risk - Inherent risk is defined as the "risk that is intrinsic to Municipality activity and arises from exposure and uncertainty from potential events. It is evaluated by considering the degree of probability and potential size of an adverse impact on strategic objectives and other activities." With the background of the Municipality broad outlook on risk, inherent risk also relates to the intrinsic susceptibility of operational and administrative activities to errors and/or fraud that could lead to the loss of resources or the non – achievement of objectives.

The importance of inherent risk evaluation is that it is an indicator of potential high-risk areas of the Municipality operations that would require particular emphasis and it is also an essential part of the combined risk assessment for each process. The identification of all risks pertaining to a process is also the starting point of the risk assessment exercise. Aspects that bear consideration when assessing the inherent risk are grouped into three categories, namely:

- The operational risk
- The management environment
- The accounting environment

Factors that could influence inherent risk under the three categories are:

a) **Operational Risk -** Some operations / mega processes may have more inherent risk attached to it. Some objectives, outputs and outcomes may have higher priority than others. The objective's outputs and outcomes as well as the operations may also be subject to variable factors outside the Municipality's control that may make it more difficult to achieve the objectives. These variables outside the Municipality control increase the overall risk profile of the operations.

b) **The Management Environment -** The integrity of management and personnel. The potential for internal control override, and deception, is always present. An assessment of management and personnel's integrity is difficult. If there were past incidences of fraud or theft within operations or sub processes where personnel were involved and they are still working there the possibility of lack in integrity would be obvious. A wide range of reasons might open a gap for management to manipulate accounting records or falsified financial information.

c) **Control Risk -** Control risk is defined as "the risk that an error which could occur when aggregated with errors, could be material to the achievement of Municipality's objectives, will not be prevented or detected on a timely basis by the internal controls." A risk that the Municipality's controls (processes, procedures, etc.) are insufficient to mitigate or detect errors or fraudulent activities. Control risk arises sim internal controls. These limitations are due to factors such as:

- The potential for management to override controls,
- Collusion circumventing the effectiveness of the segregation of duties,
- Human aspects such as misunderstanding of instructions, mistakes made in judgment, carelessness, distraction or fatigue. Control risk also arises when certain risks are simply not mitigated by any control activities.

d) **<u>Residual Risk</u>** – Is the amount of risk or danger associated with action or event remaining after natural or inherent risk have been reduced b risk controls.

e) <u>Detection risk</u>

Detection risk is defined as "the risk that management's procedures will fail to detect error which, individually or when aggregated with other errors, could be material to the financial information as a whole." This would also include errors that could be material to the Municipality as a whole.

5.2.2 <u>Risk Classification</u>

In order to integrate risk management into other management processes, the terminology should be easily understandable by managers. By developing a common Municipality risk language, managers can talk with individuals in terms that everybody understands. An important step in developing a common Municipality risk language is to classify risks identified in various categories.

The **categories** to be used by the Municipality are as follows:

Economic Environment	Risks arising from interest rate, foreign exchange fluctuations and inflation
Safety/security	Risks to the property that the government uses to conduct its business (owned, leased or borrowed).
Service Delivery	Risks arising out of the Municipality legal or contractual relationships also arising from the Municipality's dependence on outside suppliers of goods, services, and utilities. Risks arising from the acts or omissions of those outside the government.
Technological environment	Risk arising from technological advancements (global competitiveness)
Human Resources	Risks arising from competitive compensation, performance-related pay, career planning, working environment, disciplinary and appraisals procedures.
Fraud and Corruption	Risks arising from illegal or improper acts by employees resulting in a loss

Strategic Planning	Risks arising from municipality inadequate research done when planning process unfolds. Risks arising from sustainability of practices as well as organisational performance
Social Environment	Risks arising from unemployment, poverty and inequality.
Natural Environmental	Risks arising out of natural hazards such as floods, wildfires, earthquakes, hurricanes, thunderstorms, or snowstorms.
Financial Services	Risks arising out of the Municipality's financial affairs, including collection of own revenue, expenditure, and all internal and external control procedures
Reputation	Risks arising from inability to deliver quality products, which damage the relationship with community members
Knowledge and Information management	Risks arising from the integrity of information data and safeguarding thereof.
Legal Compliance / Regulatory	Risks arising from the implementation of laws and regulations that apply to the government and affect how it conducts its business
Political Environment	Risks arising from social unrest in communities as well as non-co-operation of political parties
Health and Safety	Risks arising due to inadequate access to health facilities and living in a safe environment

5.2.3 Municipality Risk Appetite and Tolerance Level

5.2.3.1 Risk Appetite

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

Improved risk quantification supplements the traditional focus on common ERM benefits
Such as:

a) Improved controls;
b) Better communication and; Common risk Language.

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

The Importance of defining Risk Appetite:

a) Promotes a shared view amongst Executive and Risk Committee,
b) Allows for alignment of risk appetite and strategy which is essential for creating an integrated risk management framework,
c) Should improve consistency in decision making,
d) Risk management maintains that a defined number of failures can be tolerated if the costs of guarding against them is more expensive than the risks they impose;

Serves as a key input into strategic planning processes on two levels

a) Evaluating strategic alternatives;
b) Setting objectives and developing mechanisms to manage the related Risks; Assists management to efficiently allocate and manage resources;
c) Provides a framework risk-taking boundaries as well as a benchmark for acceptable level of risk.
d) Management considers its risk appetite as it aligns its municipality, people and processes, and designs infrastructure necessary to effectively respond to and monitor risks.

5.2.3.2 Risk Tolerance

Risk tolerances are the acceptable levels of variation relative to the achievement of objectives.

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

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

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

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

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

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

5.2.3.3 Model for the municipality risk tolerance level

The residual risks (exposure arising from a specific risk after controls to minimize risk have been considered) will be used to determine the risk tolerance level. The following is the risk tolerance level model:

Risk priority	Risk acceptability	Proposed actions
High risks	Unacceptable	Drastic action plans needed to reduce the risk Continuous monitoring Action plans (avoid/transfer/ Reduce) Allocate resources Contingency plans Remedial actions Head of department attention required
Medium risks	Unacceptable	Implement further actions to reduce likelihood of risk occurrence Draw action plans to mitigate risks Head of department attention required Monitor at least quarterly
Low risks, except those falling within financial and fraud categories	Acceptable	No further risk reduction required Continue control Monitor at least annually

5.2.4 Risk Analysis/Assessment

Risk analysis allows the Municipality to consider how potential risks might affect the achievement of objectives. Management assesses events from two perspectives: likelihood and impact. Likelihood represents the possibility that a given event will occur, while impact represents the effect should it occur. The following tables reflect the rating criteria that will be used by the Municipality:

Risk Rating:

Extreme	
Medium	
Low	

Risk Mapping That Municipality Will Use To Plot Risks:

LIKEHOOD	**Almost Certain**					
	Likely					
	Moderate					
	Unlikely					
	Rare					
		Insignificant	**Minor**	**Moderate**	**Major**	**Catastrophic**
		IMPACT				

IMPACT CATEGORIES:

Per risk identified, the impacts are assessed for each of the following categories	
Financial resources	The impact of an event on the Municipality's financial stability and ability to maintain funding for the activities that are critical to its mission.
Material resources	The impact of an event on the material resources—such as assets and property—that a government uses in the activities that are critical to its mission.

Human resources	The impact of an event on the Municipality's workforce.
Service delivery	The impact of an event on the Municipality's ability to deliver services.
Public perception of entity	The impact of an event on the public's perception of the Municipality and on the degree of cooperation the public is willing to give in conducting the activities that are critical to its mission.
Liability to third parties	The impact of an event on the Municipality's liability to third parties.
Environment	The impact of an event on the environment and people who use it.
Public	The impact of an event on the public
Legislative	The impact of events emanating from policy changes
Technology	The impact of the use of advanced technology to municipal processes
Economic Environment	The impact of events on the stability of the economy
Social Environment	The impact of events of unemployment and hunger

IMPACT CRITERIA THAT WILL BE USED BY MUNICIPALITY TO RATE RISKS:

Rating	Impact	Description
5	**Catastrophic**	Loss of ability to sustain on-going operations. A situation that would cause a stand-alone business to cease operation.
4	**Major**	Significant impact on achievement of strategic objectives and targets relating to Municipality's plan.
3	**Moderate**	Disruption of normal operations with a limited effect on achievement of strategic objectives or targets relating to Municipality's plan.
2	**Minor**	No material impact on achievement of the Municipality's strategy or objectives.
1	**Insignificant**	Negligible impact.

LIKELIHOOD CRITERIA THAT WILL BE USED BY MUNICIPALITY TO RATE RISKS:

Rating	Likelihood	Description
5	**Almost certain**	The risk is almost certain to occur more than once within the next 12 months. (Probability = 100% p.a.)

Rating	Likelihood	Description
4	**Likely**	The risk is almost certain to occur once within the next 12 months. (Probability = 75 – 100% p.a.)
3	**Moderate**	The risk could occur at least once in the next 2 – 3 years. (Probability = 50 – 75% p.a.)
2	**Unlikely**	The risk could occur at least once in the next 3 - 4 years. (Probability = 35 – 50% p.a.)
1	**Rare**	The risk will probably not occur, i.e. less than once in 5 years. (Probability = 0 – 35% p.a.)

INHERENT RISK EXPOSURE (Impact X Likelihood) AND REFER TO RISK MAPPING ABOVE:

Risk rating	Inherent risk magnitude	Response
15 – 25	High	Unacceptable level of risk – High level of control intervention required to achieve an acceptable level of residual risk
8 – 14	Medium	Unacceptable level of risk, except under unique circumstances or conditions – Moderate level of control intervention required to achieve an acceptable level of residual risk
1 – 7	Low	Mostly acceptable – Low level of control intervention required, if any.

RESIDUAL RISK EXPOSURE (Impact X Likelihood) AND REFER TO RISK MAPPING ABOVE:

Risk rating	Residual risk magnitude	Response
15 – 25	High	Unacceptable level of residual risk – Implies that the controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). Controls require substantial redesign, or a greater emphasis on proper implementation.
8 – 14	Medium	Unacceptable level of residual risk – Implies that the controls are either inadequate (poor design) or ineffective (poor implementation). Controls require some redesign, or a more emphasis on proper implementation.

1 – 7	Low	Mostly acceptable level of residual risk – Requires minimal control improvements.

The qualitative criteria that will be used by Municipality to assess likelihood are:

a) Geographical dispersion of operations,

b) Complexity of activities – management judgment,

c) Pressure to meet objectives,

d) Frequency of losses,

e) Competency, adequacy and integrity of personnel,

f) Degree of computerized systems,

g) Unrealistic objectives/mandates,

h) Time constraints,

i) Potential of conflict of interest,

j) Susceptibility of the asset to misappropriation.

5.3 Risk Prioritization

Within risk management methodologies, risk prioritization provides the link between risk assessment and risk control. Risks assessed as key risks will be introduced and managed within the major control process.

Depending on the results of the risk analysis performed, risks will be prioritized per department.

The prioritized risks will inform both the scope of internal audit and the risk management committee. Both these support structures will primarily focus on the risks assessed as high, medium and low successively.

5.4 Risk Response

The Municipality will use the following four strategies or risk response in dealing with risks:

Avoidance:
Risk avoidance involves eliminating the risk-producing activity entirely (or never beginning it). Although avoidance is highly effective, it is often impractical or undesirable, because the municipality is legally required to engage in the activity that is so beneficial to the community and cannot be discontinued.

Reduction:
Risk reduction strategies reduce the frequency or severity of the losses resulting from a risk, usually by changing operations in order to reduce the likelihood of a loss, reduce the resulting damage, or both. An example of a risk reduction strategy is the preparation, before a loss occurs, of contingency plans to expedite recovery from the loss.

Control:
The Municipality will implement corrective action to manage risks identified while still performing the activities e.g. after a loss has occurred, risk control strategies keep the resulting damage to a minimum.

5.5 Transfer

Risk transfer strategies turn over the responsibility of performing a risky activity to another party, such as an independent contractor, and assign responsibility for any losses to that contractor. (When used as a risk financing method, such strategies transfer the liability for losses to another party). The Municipality is responsible for choosing a suitable strategy when dealing with a key risk. The implementation and eventual operation of this strategy is the responsibility of functional managers and must be within above risk response strategies.

5.5 Risk Monitoring

The Risk Management Committee must monitor the handling of key risks by program managers as in line with the Charter. Key performance indicators must therefore be developed by the committee to facilitate the monitoring of each key risk.

5.6 Risk Reporting

The Risk Management Committee will report to the Accounting Officer as depicted in the Risk Management Charter.

5.7 Fraud Management

Risk and Compliance Manager will develop Fraud Prevention Policy and be reviewed by Risk Management Committee annually. This Fraud Prevention Policy will also cover the following:

- Objective of the Fraud Prevention Policy.
- Definition of fraud that the Municipality subscribes.

- Fraud Prevention and detection measures.
- Fraud Implementation Plan.
- Fraud indicators and warning signs.
- Fraud risk management.
- Fraud reporting and whistle blowing.

6. Role of Municipal Council

a) To provide oversight and direction to the Accounting Officer on risk management related strategy and policies.
b) Having knowledge of the extent to which the Accounting Officer and management has established effective risk management in their respective department.
c) Awareness of and concurring with the municipality's risk appetite and capacity levels
d) Reviewing the municipalities portfolio of risks and considers it against the risk capacity.
e) Influencing how strategy and objectives are established and activities are structured, and risks are identified, assessed and acted upon
f) Requiring that management should have established set of values by which every employee should abide.
g) Insist on the achievement of objectives, effective performance management value for money and insists on accountability.

7. Role of Audit Committee

Audit Committee is an independent committee responsible for the oversight of the municipalities control, governance and risk management. Audit Committee provides and independent and objective view of risk management effectiveness

8. Establishment Risk Management Committee

A Risk Management Committee is established to assist the Accounting Officer to fulfil his legally mandated risk management duties.

9. Responsibilities of Risk Management Committee

The duties of the Committee shall be to:

a) Review the Risk Management Strategy, Risk Management Policy and Fraud Prevention Plan and recommend for approval by the Accounting Authority.
b) Review the risk appetite and tolerance and recommend for approval by the Accounting Officer.
c) Review municipality risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register.
d) Evaluate the effectiveness of the mitigating strategies to address the material risks of the municipality.
e) Report to the Accounting Officer any material changes to the risk profile of the municipality.
f) Evaluate the effectiveness of the implementation of Fraud Prevention Plan.
g) Review any material findings and recommendations by assurance providers on the system of risk management and monitor that appropriate action is instituted to address the identified weakness.
h) Develop goals, objectives and key performance indicators for the Committee for approval by the Accounting Officer
i) Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activity.
j) Set out the nature, role, responsibility and authority of the risk management function within the Municipality for approval by the Accounting Officer and oversee the performance of the risk management function.
k) Provide proper and timely reports to the Accounting Officer on the state of the risk management, together with aspects requiring improvement accompanied by the Committee's recommendation to address

10. Responsibilities of Accounting Officer

The Accounting Officer shall be responsible for the following:

a) Setting the tone at the top by supporting Enterprise Risk Management and allocating resources towards establishing the necessary structures and reporting lines within the municipality to support Enterprise Risk Management.
b) Place the key risks at the forefront of the management agenda and devote attention to overseeing their effective management.
c) Approves the institution's risk appetite and risk capacity.
d) Hold management accountable for designing, implementing, monitoring and integrating risk management principles into their day-to-day activities.
e) Leverage the Audit Committee, Internal Audit, Risk Management Committee and other appropriate structures for assurance on the effectiveness of risk management.
f) Provide all relevant stakeholders with the necessary assurance that key risks are properly identified, assessed, mitigated and monitored.
g) Provide appropriate leadership and guidance to senior management and structures responsible for various aspects of risk management.

11. Responsibilities of Management

a) Integrating risk management into planning, monitoring and reporting processes, and the daily management of activities.
b) Creating a culture where risk management is encouraged, practised, rewarded and risk management infrastructure is provided.
c) Aligns functional and institutional risk management methodologies and processes, implements the directives of the Accounting Officer concerning risk management.
d) Maintains a harmonious working relationship with Risk and Compliance Manager and supports the Risk and Compliance Unit in matters concerning the functions of risk management.

12. Role of Internal Audit

The role of internal audit is, but not limited, to provide assurance on the risk management process. These include:

a) Provides assurance over the design and functioning of the control environment, information and communication systems and the monitoring systems around risk management.

b) Provides assurance over risk identification and assessment processes, utilises the results of the risk assessment to develop long term and current year internal audit plans.

c) Provides independent assurance as to whether the Risk Management Strategy, Risk Management Implementation Plan and Fraud Prevention Policy and have been effectively implemented within the institution.

13. Responsibilities of Risk and Compliance Manager

a) Develop and request approval of Risk Management Committee Charter.

b) Develop risk management implementation plan for the Municipality, works with senior management to develop the overall enterprise risk management vision, strategy, policy, as well as risk appetite and tolerance levels for approval by the Accounting Officer.

c) Communicates the Risk Management Strategy, Risk Management Policy, Fraud Prevention Policy and Risk Management Implementation Plan to all stakeholders in the institution continuously driving the risk management process towards best practice.

d) Developing a common risk assessment methodology that is aligned with the institution's objectives at strategic, tactical and operational levels for approval by the Accounting Officer

e) Coordinate risk assessments within the departments as outlined in the policy, sensitising management timeously of the need to perform risk assessments for all major changes, capital expenditure, projects, restructuring and similar events, and assist to ensure that the attended processes are reported and are completed efficiently and timeously.

f) Assisting management in developing and implementing risk responses for each identified material risk, participating in the development of the combined assurance plan for the institution, together with internal audit and management

g) Ensuring effective information systems exist to facilitate overall risk management improvement within the institution, collates and consolidates the results of the various assessments within the institution.

h) Analyse the results of the assessment process to identify trends, within the risk and control profile, and assist top management to develop the necessary high-level control interventions to manage these trends, compiles the necessary reports to the Risk Management Committee.

i) Providing input into the development and subsequent review of the Fraud Prevention Policy, Business Continuity, Occupational Health and Safety and environmental policies and practices and disaster management plans.

j) Report administratively to Accounting Officer and functionally to Risk Management Committee.

14. Role of Integrated Development Plan /Performance Management Manager

Within the context of the Risk Management, Integrated Development Plan /Performance Management Manager will be responsible for:

Familiarity with the overall Enterprise Risk Management vision, Risk Management Strategy, Risk Management Policy and Fraud Prevention Plan, acting within the tolerance levels set by the directorate.

a) Maintaining the functioning of the control environment, information and communication as well as the monitoring systems within their delegated responsibility, participation in risk identification and risk assessment strategic risks,

b) Implementation of risk responses to address the identified risks, reporting risks to Municipal Manager on a periodic and timely basis, and taking action to take advantage of, reduce, mitigate and adjusting plans as appropriate. Incorporating risk managing into project management planning process

15. Role of All Officials

Each official will be responsible for:

a) Identifying and controlling risks appropriate to his/her position, reporting any risks to his/her immediate supervisor on a timely basis.

16. Role of Risk Champions

a) Ensure that units are effectively implementing the Risk Management Strategy, identify and report fraudulent activities within respective department.

b) Conduct preliminary inquiry on any alleged incident that is on conflict with the Code of Conduct for the Public Service and draft a report for the investigators, provide support on investigations by facilitating the obtaining of information in any form [electronic, documentary, by investigators, in line with the applicable regulations.

c) Be a point of entry for investigators and risk management officials within their respective units.

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

17. Role of Provincial Treasury

In terms of Section 34(1) of the MFMA (and in the spirit of the co-operative governance), the national and provincial governance must by agreement as assist municipalities in building the capacity of municipalities for effectiveness

18. Disclosure

In order for risk management to work, it must be embedded into everyday activities of the Municipality. It should be integrated into the reporting process. Risk should be part of every decision that is made, every objective that is set and every process that is designed. Risk management will be integrated into the reporting process of managers in strategic planning meetings of the Municipality that are held on a quarterly basis. Every manager shall on a quarterly basis and during the strategic planning meetings of the Municipality disclose that:

a) he /she is accountable for the process of risk management and the systems of internal control which are regularly reviewed for effectiveness, and in establishing appropriate risk and control policies and communicating this throughout the office. There is an on-going process for identifying, evaluating and managing the significant risks faced by the directorate concerned.

b) there is an adequate and effective system of internal control in place to mitigate the significant risks faced by the directorate concerned to an acceptable level.

c) there is a documented and tested process in place which will allow the department to continue its critical business process in the event of disastrous incident impacting on its activities. This is commonly known as business continuity plan and should cater for worst-case scenario, that the department complies with the process in place, established to review the system of internal control for effectiveness and efficiency. Where the Accounting Officer cannot make any of the disclosures set out above he or she should state this fact and provide a suitable explanation.

19. Liabilities and Risks Payable in Foreign Currencies

Municipal Management Finance Act No 56 of 2003 determines that no municipality may incur liability or risk payable in a foreign currency. This, however, does not apply to debt regulated in Section 47 of the Municipal Management Finance Act. Procurement of goods or services is denominated in a foreign currency, but the Rand value of which is determined at the time of the procurement, or where this is not possible and risk is low, at the time of payment.

20. Conclusion

Risk Management is a powerful management tool to deal with uncertainties in the environment, and to establish preemptive mechanisms to enhance service delivery, while narrowing the scope of corruption, misconduct and unethical professional behavior.

It is also an effective decision-making tool, to assist management to take the correct decisions in an uncertain environment. The development of a culture of risk management and specific procedures for implementation will assist public servants to focus on risk analysis and response. This will improve the quality of strategic plans, which will assume both predictive and preventative dimensions. To this end, the Municipality takes full responsibility to ensure that implementation of risk management takes place in all departments.

21 Approval
This policy will be considered by the Risk Management Committee and approved by the Municipal Council