

POLICY

Risk Management Policy

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ANNEXURE A – Risk Management Strategy

ANNEXURE B – Risk Management Implementation Plan

1. INTRODUCTION

The Accounting Officer has committed Eden District Municipality (Eden DM) to a process of risk management that is aligned to the principles of good corporate governance, as supported by the Municipal Finance Management Act (MFMA), Act no 56 of 2003.

The Eden DM process of risk management is informed by this Risk Management Policy, a Risk Management Strategy (Framework) [Annexure A] and a Risk Management Implementation Plan [Annexure B].

2. RISK AND RISK MANAGEMENT

Risk refers to a beneficial or unwanted outcome, actual or potential, to the organisation'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. Such opportunities are encompassed in this definition of risk.

Risk management is a systematic and formalised process instituted by the organisation to identify, assess, manage and monitor risks.

3. LEGAL FRAMEWORK AND GUIDANCE

The Municipality's legal responsibilities and best practices governing risk management include:

3.1 Local Government: Municipal Systems Act, No 32 of 2000

- Section 83 states that - measures must be taken around service providers that minimise the possibility of fraud and corruption.
- Section 104 states that - loss control on municipal equipment be minimized thereby reducing the possibility of fraud and corruption and that this will be regulated by the MEC.

3.2 Local Government: Municipal Finance Management Act, No 56 of 2003

- Section 62 states that:

“(1) 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

(c) that the municipality has and maintains effective, efficient and transparent systems –

(i) of financial and risk management and internal control;”

- Section 166 states that:

“(2) An audit committee is an independent advisory body which must –

(a) advise the municipal Council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to –

(ii) risk management;"

3.3 Other Legislation

Legislation concerning 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/Departments. These would include inter alia - the Occupational Health and Safety Act, Construction Regulations, Environmental Legislation, Housing Acts, CPA, etc.

3.4 The Public Sector Risk Management Framework

The Public Sector Risk Management Framework (PSRMF) by National Treasury provides a generic guide for the implementation of risk management strategies in the public service, and suggests that risk management is a formal step-by-step process that can be applied at all levels of a Department. These principles need to be implemented within the context of each Department who should implement this framework in the development of their own risk management strategies.

The Municipality's RMC adopted the National Treasury: Public Sector Risk Management Framework (RKCO07/12/08) to ensure that a service delivery imperative exists for ERM (benchmark).

3.5 The King IV Code of Governance for South Africa, 2016

The King IV Code has nine focus areas and the principles to be applied in each are of equal importance and together forms a holistic approach to governance. The Governance of Risk is one of these focus areas and in turn is broken up into governance elements, principles and recommended practices.

3.6 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.

4. BENEFITS OF RISK MANAGEMENT

EDM will implement and maintain an effective, efficient and transparent system of risk management and internal control. Risk management will assist the municipality to achieve, among other things, the following outcomes needed to underpin and enhance performance:

- more sustainable and reliable delivery of services;
- informed decisions underpinned by appropriate rigour and analysis;
- achievement of strategic goals as set out in the Integrated Development Plan;
- reduced waste;
- prevention of fraud and corruption;
- better value for money through more efficient use of resources; and
- better outputs and outcomes through improved project and program management.

5. PURPOSE OF THE POLICY

Compliance and Corporate Governance the Municipal Finance Management Act requires compliance in respect of risk management and this policy's objective is to enable and secure compliance. King IV requires the governance of risk through a formal risk management processes.

To set the principles, deliverables and processes through which risk management needs to be performed at least at a compliance level.

EDM recognizes that risk management is a systematic and formalized process to identify, assess, manage and monitor risks and therefore adopts a comprehensive approach to the management of risk. Risk Management must become a culture within the organisation and integrated into all business processes to enhance performance.

6. SCOPE OF THE POLICY

The objective of the Risk Management Policy includes the following:

- To align risk-taking behaviour with the strategic business objectives in the integrated development plan;
- To promote a risk management culture within the organisation and improve risk transparency to all stakeholders;
- To maximise value and net worth by managing risks that impact on the defined financial and performance drivers;
- To assist the municipality in enhancing and protecting those opportunities that represents the greatest service delivery benefits. (National Treasury, 2011) This policy applies throughout the organisation in as far as risk management is concerned.

7. THE POLICY

The realisation of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardize the direct and indirect interests of council and the general public. Sound management of risk will enable us to anticipate and respond to changes in our service delivery environment, as well as take informed decisions under conditions of uncertainty.

We subscribe to the fundamental principles that all resources will be applied economically to ensure:

- The highest standards of service delivery;
- A management system containing the appropriate elements aimed at minimising risks and costs in the interest of council and the general public;
- Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to council's expectations; and
- Maintaining an environment which promotes the right attitude and sensitivity towards council and public satisfaction.

An entity-wide approach to risk management is adopted by EDM, which means that every key risk in each part of the organisation will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the organization's systems and processes, ensuring that our responses to risks remain current and dynamic. All risk management efforts will be focused on supporting the organization's objectives. Equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, council, communities and other key role players in terms of corporate governance.

8. RISK MANAGEMENT PROCESSES

8.1 Risk Universe

The risk universe is a collection of risks built on environmental analysis and external benchmarking.

It includes all the legislation (acts and regulations); the strategic intentions as outlined in the IDP, SDBIP and the municipality's Organizational Performance Scorecards, business plans; operations and activities of the municipality. It comprises of both Eden and Roads risks, from operational at worker level to Strategic at management level.

8.2 Impact and Likelihood risk rating scales

Individual risks are to be assessed in terms of the Heat Map/Risk Matrix below which takes the Likelihood and Impact of a risk into consideration to determine the severity of the risk. This is a subjective process and is therefore not a mathematical process with predetermined criteria, processes and predictable outcomes. Sound judgment, reasoning and discretion is required when deciding whether or not one risk is more critical than another; whether or not a risk requires further attention or not; and to what an extent effort and resources should be invested in managing a particular risk.

HEAT MAP/RISK MATRIX

IMPACT	5 Extreme	5	10	15	20	25
	4 High	4	8	12	16	20
	3 Medium	3	6	9	12	15
	2 Low	2	4	6	8	10
	1 Negligible	1	2	3	4	5
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Certain
		LIKELIHOOD				

Risk Rating	Escalation
RED	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.

AMBER	<p><i>(Minimum monitoring: monthly/weekly review depending on the severity)</i></p> <p>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.</p> <p><i>(Minimum monitoring: quarterly review)</i></p>
GREEN	<p>These risks have low impact and low likeliness i.e. both rated below 8 out of 25. It is a low risk that requires little if any attention, effort or resource investment.</p> <p><i>(Minimum monitoring: annual review)</i></p>

Impact is the magnitude of the consequences of the materialised risk of an event on the organisation. The likelihood is assessed based on the probability that an event would occur, determined qualitative on past occurrences and expectancies in the future.

EDM utilises a 5 x 5 risk matrix for the determination of impact and likelihood.

8.3 Inherent & Residual Risk

The COSO framework defines inherent risk as the risk to an entity in the absence of any actions management would take to mitigate, considering the risk environment, the impact and likelihood of a risk. Therefore, the residual risk would be the risk exposure to the organisation after internal controls have been implemented.

8.4 Risk Appetite

The risk appetite is determined by the municipality based on the amount of risk the organisation is willing to accept, in striving to achieve its strategic objectives. The risk appetite is determined annually during the annual risk assessment processes. Risk Appetite is currently determined at **9.75**. The risk appetite for the following risk is set at 0.

- Irregular Expenditure
- Fraud
- Non – Compliance

Risk appetite:

- Enables an improved consistency of decision making at all levels through improving risk understanding;
- Provides a framework for knowingly excepting risks within defined boundaries;
- Improves the ability of the Audit & Risk Committee to challenge recommendations of management by providing a benchmark of what level of risk is defined as acceptable; and
- Derives real value from the assessment of risk over and above compliance purposes.

EDM consider risk appetite qualitatively, with such categories as extreme, high, medium or low, or may take a quantitative approach, reflecting and balancing goals for capital expenditure, budgets and risk.

8.5 Risk Categories

EDM focuses on the following types of risks: Internal and External.

Internal Risks are further categorised as follows:

- Human Resource Risk
- Knowledge and Information
- Litigation
- Loss and Theft of Assets
- Material Resources (Procurement Risks)
- Service Delivery
- Information and Technology
- Third Party Performance
- Disaster/Business Continuity
- Fraud and Corruption
- Cultural Risks
- Reputational Risk
- Financial Risk
- Compliance and Regulatory Risk
- Health and Safety Risk

External Risks are further categorised as follows:

- Economic Environment
- Political Environment
- Social environment
- Natural Environment
- Technological environment
- Legislative Environment

9. ROLE PLAYERS

Every employee is responsible for executing risk management processes and adhering to risk management procedures laid down by the organisation's management in their areas of responsibilities.

9.1 RISK MANAGEMENT OVERSIGHT

9.1.1 Council

The council of EDM 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 the organisation against significant risks. Council should adopt the risk Management Policy and Strategy.

9.1.2 Audit & Performance Audit Committee (APAC)

The APAC is an independent committee responsible for oversight of the municipality's control, governance and risk management. The responsibilities of the Audit Committee with regard to risk management are formally defined in its charter. The Audit Committee provides an independent and objective view of the effectiveness of the municipality's risk management process.

9.1.3 Risk Management Committee

The Risk Management Committee is appointed by the Accounting Officer to assist management to discharge their responsibilities for risk management. The Committee's role is to review the risk management progress and maturity of the organization, the effectiveness of risk management

activities, the key risks facing the organization, and the responses to address these key risks. The responsibilities of the Risk Management Committee are formally defined in its charter.

9.2 RISK MANAGEMENT IMPLEMENTERS

9.2.1 Accounting Officer

The Accounting Officer is accountable for the organization's overall governance of risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

9.2.2 Management

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

9.2.3 Other Officials

Other officials are responsible for integrating risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

9.3 RISK MANAGEMENT SUPPORT

9.3.1 Chief Risk Officer (as appointed by the AO)

The Chief Risk Officer (CRO) is the custodian of the Risk Management Strategy, and coordinator of risk management activities throughout the organization. The delegated authority has been given to the Strategic Manager in the Office of the Municipal Manager. The primary responsibility of the Chief Risk Officer is to bring to bear his/her specialist expertise to assist the organization to embed risk management and leverage its benefits to enhance performance.

9.3.2 Risk Officer

The Risk Officer's responsibilities are to facilitate, implement and monitor the Risk Management system of the municipality. Manage the process of Risk Assessments and update of the risk registers and actions accordingly on a quarterly basis. Facilitate the identification and assessment of risk during annual Risk Assessments in the organization to determine risk mitigation and identify new risks. Develop and continuously update the Risk Management policy, strategy, charter and methodology for the District Municipality. Coordinate specific procedures associated with the implementation and execution of risk management by monitoring compliance and submit quarterly reports to the Risk Management Committee.

9.3.3 Risk Champion

The Risk Champion's responsibility involves 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 organisational skills and expertise. Additionally, the risk champions of each department must on a quarterly basis report to the CRO on new risks or any changes to the existing risks based on the occurrence of events. A key part of risk champion responsibility involve the escalating instances where risk management efforts are stifled, such as when individuals try to block Risk Management activities. Risk Champion is usually an existing employee within the department.

9.4 RISK MANAGEMENT ASSURANCE PROVIDERS

9.4.1 Internal Audit

The role of the Internal Audit in risk management is to provide an independent, objective assurance on the effectiveness of the organisation's system of risk management. Internal Auditing must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

9.4.2 External Audit

The external auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management.

10. POLICY REVIEW

This Policy shall be reviewed annually to reflect the Municipality's current stance on risk management.

11. REFERENCES

- The information contained in this Risk Management Policy, as well as the general structure hereof, was sourced mainly from templates and guidebooks supplied by National Treasury on its website (<http://www.treasury.gov.za/>).
- Knysna Municipality – Risk policy
- George Municipality
- Swellendam Municipality

12. RISK MANAGEMENT STRATEGY: ANNEXURE A

12.1 Introduction

Eden District Municipality (EDM) has undertaken to embed a culture of Enterprise Risk Management (ERM) within the municipality and to identify, assess, manage, monitor and report risks to ensure the achievement of objectives as identified in the IDP.

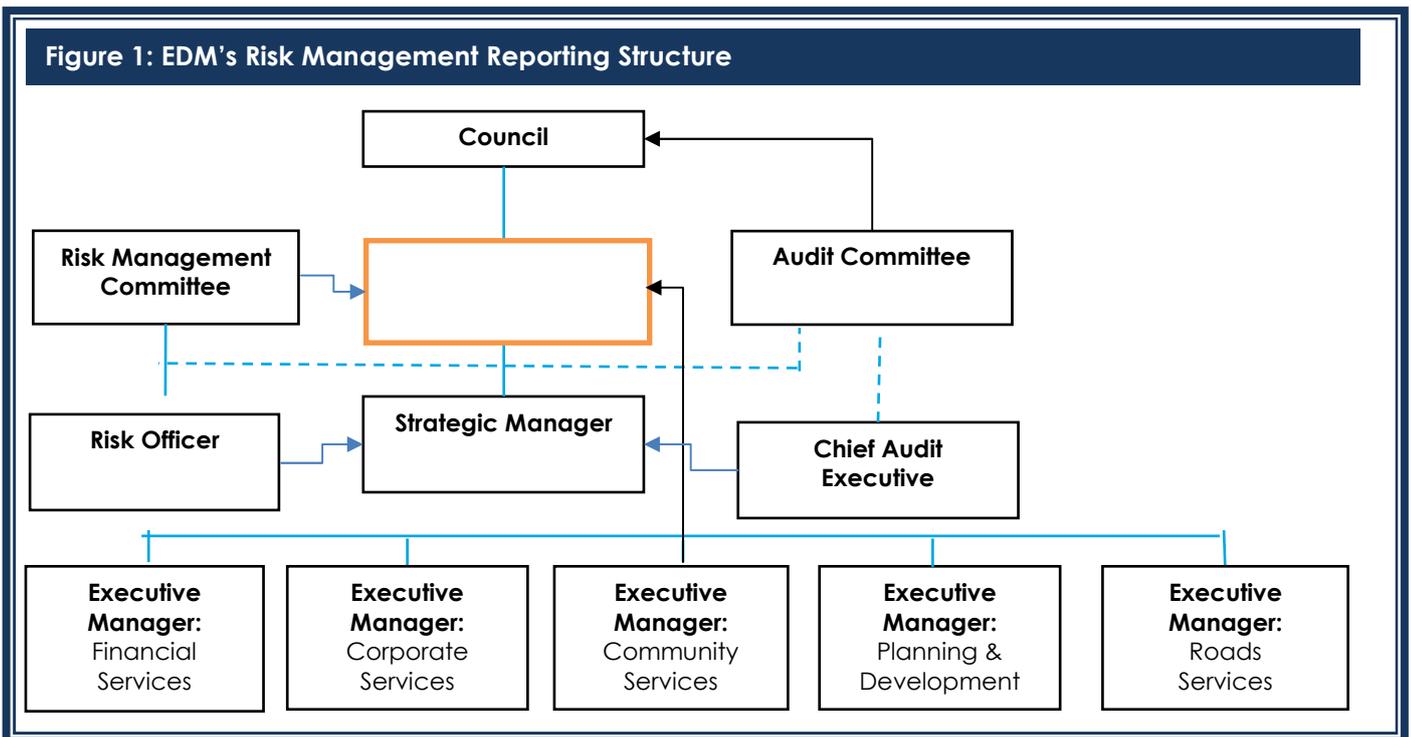
12.2 Purpose of this Document

The purpose of this document is to outline the implementation strategy for the Risk Management Policy.

IMPLEMENTATION OF RISK MANAGEMENT

12.3 Reporting Lines

The structures through which risk management will be reported within EDM are set out below.



*The CAE reports only administratively to the Strategic Manager and functionally to the Audit Committee

*The Risk Officer administratively to the Strategic Manager and functionally to the Risk Management Committee

12.4 Roles and Responsibilities

All personnel within EDM have a responsibility for maintaining good internal control and managing risk in order to achieve the municipality's objectives. To assist personnel with understanding their roles and responsibilities, the following tables of guidelines per role player has been included:

12.4.1 Executive Authority (Council)

Council is responsible for the governance of risk and will report to the community, on the municipality's system of internal control to provide comfort that the municipality is protected against significant risks to ensure the achievement of objectives as detailed in the Service delivery and Budget Improvement Plan (SDBIP). To fulfil its mandate with regard to ERM, council must:

Ref.	Activity	Frequency
01	determine the levels of risk appetite with guidance from the Chief Chief Risk Officer (CRO) and the Risk Management Committee (RMC);	Annually
02	approve the risk management policy, strategy and implementation plan by council resolution;	Annually
03	approve the fraud prevention policy, strategy and implementation plan by council resolution;	Annually
04	ensure that IT, fraud and Occupational Health and Safety (OHS) risks are considered as part of the municipality's risk management activities;	Annually
05	ensure that risk assessments (strategic and operational) are performed by reviewing the RMC reports;	Bi-annually
06	Disclose how they have satisfied themselves that risk assessments, responses and interventions are effective as well as undue, unexpected or unusual risks and any material losses (the annual report to include a risk disclosure).	Bi-annually

12.4.2 Audit Committee

The Audit Committee is vital to, among other things, ensure that financial, strategic, operational and fraud risks are identified and managed. To fulfil its mandate with regard to ERM, the Audit Committee must:

Ref.	Activity	Frequency
07	formally define its responsibility with respect to risk management in its charter;	Annually
08	meet on a quarterly basis (minutes of the RMC meeting should be a standard agenda item at these meetings);	Quarterly
09	include statements regarding risk management performance in the annual report;	Annually
10	provide an independent and objective view of the municipality's risk management effectiveness;	Annually
11	evaluate the effectiveness of Internal Audit in its responsibilities for risk management;	Annually
12	review the internal and external audit plans to assure themselves that the plans address the risk areas of the municipality;	Annually
13	review the risk registers and critical risk areas after the completion of the annual risk assessment, and	Annually

Ref.	Activity	Frequency
14	advise Council on any matters that come to their attention that require Council intervention.	When required

12.4.3 Risk Management Committee (RMC)

A RMC is appointed by the Municipal Manager to assist the Municipal Manager in discharging his/her duties. To fulfil its mandate the RMC must:

Ref.	Activity	Frequency
16	formally define its roles and responsibilities with respect to risk management in its charter;	Annually
17	meet on a quarterly basis;	Quarterly
18	review and approve the risk appetite;	Annually
19	review and recommend to Council for approval, the risk management policy, strategy and implementation plan;	Annually
20	review and recommend to Council for approval, the fraud risk management policy, strategy and implementation plan;	Annually
21	evaluate and amend top strategic risks;	Quarterly
22	advise council on how to improve management of the municipalities risks;	Annually
23	review risk management progress;	Quarterly
24	provide a timely and useful ERM report to the Audit Committee. The report should contain the current top strategic risks of EDM, which includes: <ul style="list-style-type: none"> the key strategic & financial risks facing the municipality (All extreme and high inherent risk exposures); the key operational risks per Strategic goal (minimum the top 5 identified risks); and Any risk developments (changes) / incidents / losses; and recommendations to address any deficiencies identified. 	Quarterly
25	measure and understand the municipality's overall exposure to IT risks and ensure that proper processes are in place;	Quarterly
26	review the risk registers/ dashboard at each meeting and update the register's contents to reflect any changes without formally reassessing the risks; and	Quarterly
27	provide guidance to the CRO on how to manage risks to an acceptable level.	On-going

12.4.4 Accounting Officer (Municipal Manager)

The Municipal Manager is the ultimately responsible for ERM and is accountable for the overall governance of risk within EDM. To fulfil its mandate with regard to ERM, the Municipal Manager must:

Ref.	Activity	Frequency
28	appoint a CRO and/or Risk Champions;	As required
29	appoint a RMC with the necessary skills, competencies and attributes;	Annually

30	Review and sign the RMC charter;	Annually
31	Review and agree on the risk appetite;	Annually
32	Review and sign the risk management policy, strategy and implementation plan	Annually
33	Review and sign the fraud risk management policy, strategy and implementation plan	Annually
34	ensure appropriate action in respect of recommendations of the Audit Committee, Internal Audit, External Audit and RMC to improve ERM;	quarterly

12.4.5 Internal Audit

Internal Audit should provide a written assessment of the effectiveness of the municipality's system of internal control and risk management. To fulfil its mandate with regard to ERM, Internal Audit must:

Ref.	Activity	Frequency
35	provide assurance on the ERM process design and its effectiveness;	Annually
36	provide assurance on the management of "key risks" including, the effectiveness of the controls and other responses to the "key risks;	Annually
37	provide assurance on the assessment and reporting of risk and controls; and	Annually
38	prepare a rolling three (3) year Internal Audit plan based on its assessment of key areas of risk.	Annually

12.4.6 Management

Management is accountable for designing, implementing, monitoring and integrating ERM into their day-to-day activities. To fulfil its mandate with regard to ERM, Management must:

Ref.	Activity	Frequency
39	empower officials to perform effectively in their risk management responsibilities;	On-going
40	devote personal attention to overseeing the management of key risks within their area of responsibility;	On-going
41	maintain a co-operative relationship with the CRO and Risk Champions;	On-going
42	maintain the proper functioning of the control environment within their area of responsibility;	On-going
43	continuously monitor the implementation of risk management within their area of responsibility; and	On-going
44	Ensure that key performance indicators are identified by utilising risk identified in relation to the effective implementation of strategic objectives as per the IDP	On-going

12.4.7 Chief Risk Officer /Risk Officer (CRO/RO)

The primary responsibility of the CRO/RO is to bring his/her specialist expertise to assist the municipality to embed risk management and leverage its benefits to enhance performance. To fulfil its mandate with regard to ERM, The CRO must:

Ref.	Activity	Frequency
45	assist the Municipal Manager to determine/review the risk appetite;	Annually
46	draft and/or review the risk management policy, strategy and implementation plan	Annually
47	coordinate and facilitate the annual risk assessments;	Annually
48	Prepare ERM registers, reports and dashboards for submission to the RMC and Municipal Manager/Council	As per the Implementation Plan
49	ensure that all risk information is updated;	quarterly
50	ensure that all IT, fraud, OHS risks are considered as part of the municipality's ERM activities; Fraud Risk Management is linked to this policy, but specifically addressed in a separate policy – see Fraud Risk Management Policy	As per the Implementation Plan
51	coordinate the implementation of action plans;	Quarterly
52	ensure that risk assessments (as needed per projects identified) are performed and reported to the RMC;	Quarterly
53	avail the approved risk registers to Internal Audit on request;	As needed
54	create risk awareness within EDM and effectively communicate ERM to officials – municipal officials should be made aware of the various role-players with regard to ERM, their roles in the process and where risk-related resource material can be found; and	Quarterly
55	ensure that Risk Management is a standing agenda point on Management meetings where it should be actively discussed.	Quarterly

12.4.8 Risk Champion

Risk Champions assist the CRO facilitate the risk assessment process and manage risks within their area of responsibility to be within the risk appetite. To fulfil its responsibilities with regard to ERM, Risk Champions must:

Ref.	Activity	Frequency
57	Coordinating role in the facilitation of operational risk assessments;	As per the Implementation Plan
58	ensure that each key risk have a nominated risk owner;	As per the

		Implementation Plan
59	Provide a guarantee to the Chief Risk Officer that risk information is updated and controls are implemented, as per risk remedies identified on the risk register; and	As per the Implementation Plan
60	co-ordinate the implementation of action plans for the risk and report on any developments regarding the risk.	As per the Implementation Plan

12.4.9 Other Officials

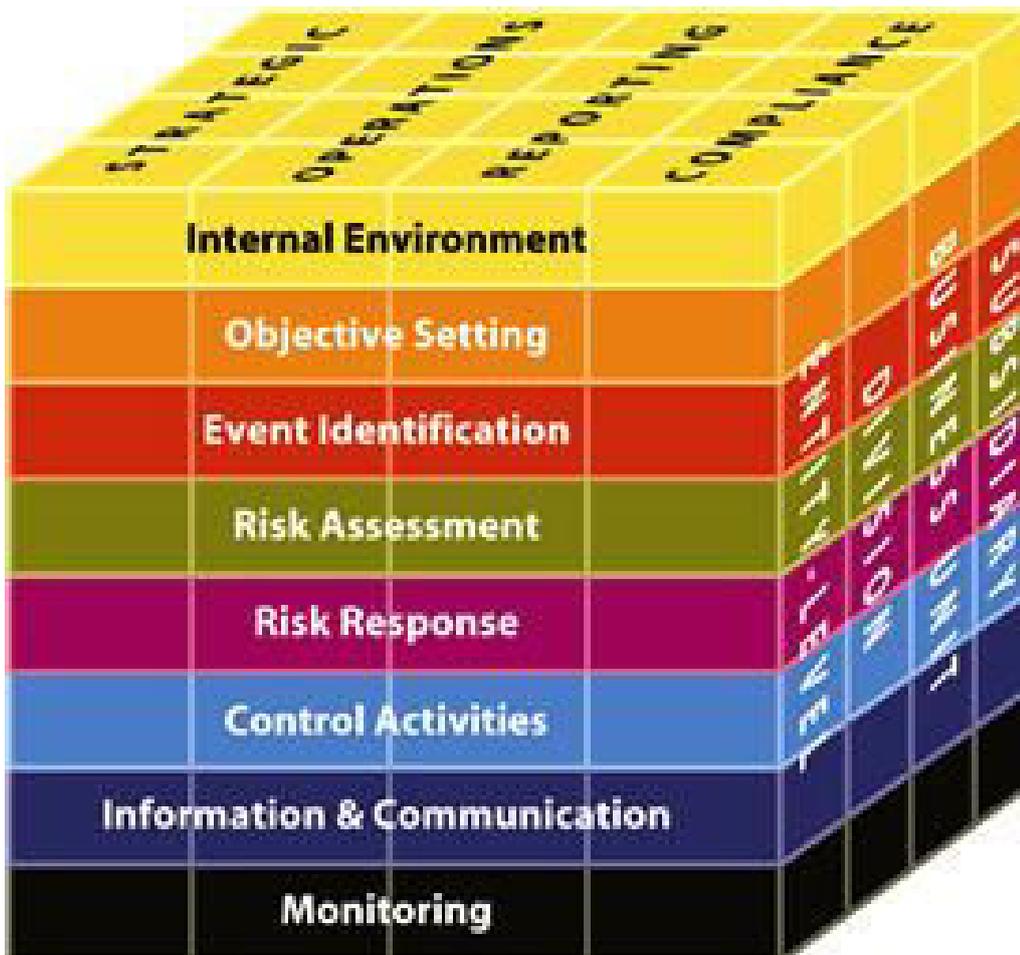
Other officials are responsible for integrating risk management into their day-to-day activities. To fulfil its responsibilities with regard to ERM, other officials within the municipality must:

Ref.	Activity	Frequency
61	take the time to read and understand the content in the risk management policy but more importantly their roles and responsibilities in the risk management process;	On-going
62	apply the risk management process in their respective functions;	On-going
63	inform their supervisors and/or the risk management unit (CRO) of new risks and significant changes;	On-going
64	co-operating with other roles players in the risk management process; and	On-going
65	Providing information as required.	On-going

12.5 Risk Management Process

The risk management process is informed by the IDP, where risks/opportunities associated with strategic objectives are determined which will ensure that the organisation covers all aspects to ensure compliance to and achievement of the goals set. Subsequently, the risk management process will inform the SDBIP in the determination of key performance indicators.

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



13.3.1 Internal Environment

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

13.3.2 Objective Setting

Objective setting is a precondition to event identification, risk assessment, and risk response. There must first be objectives before management can identify risks to their achievement and take necessary actions to manage the risks.

13.3.3 Event Identification

An event is an incident or occurrence emanating from internal or external sources that could affect implementation of strategy or achievement of objectives. Events may have positive or negative impacts, or both. As part of event identification, management recognises that uncertainties exist, but does not know when an event may occur, or its outcome should it occur.

13.3.4 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 assess 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.

13.3.5 Risk Response

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** – Transfer the risk to another party more competent to manage it.
- **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 consists of combination of the above.

13.3.6 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 that operate together with detective controls to correct errors or irregularities.

Controls over Information Systems

With widespread reliance on information systems, controls are needed over significant systems. Two broad groupings of information systems control activities can be used. The first is general controls, which apply to many if not all application systems and help ensure their continued, proper operation. The second is application controls, which include computerised steps within application software to control the technology application. Combined with other manual process controls where necessary, these controls ensure completeness, accuracy and validity of 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.

13.3.7 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.

13.3.8 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.

12.6 Implementation of action plans

Action plans are assessed based on the following implementation status

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

12.7 Control Effectiveness measurement

The following measures are in place to rate the effectiveness of the controls that are in place to mitigate the risks.

Effectiveness Category	Factor	Category Definition
Very Good	20	Risk exposure is effectively controlled and managed.
Good	40	Majority of risk exposure is effectively controlled and managed.
Satisfactory	65	There is room for improvement.
Weak	80	Some of the risk exposure appears to be controlled, but there are major deficiencies.
Unsatisfactory	100	Control measures are ineffective

12.8 Detailed Implementation Plan

The detailed risk management implementation plan is included as a separate attachment (Annexure B).

DETAIL IMPLEMENTATION PLAN – ANNEXURE B				
a. Planned Action	b. Detailed Action	c. Output	d. Due Date	e. Responsible Person(s)
1) Functional Risk Management Committee (RMC)	Review of the RMC Charter and recommend for approval	Roles and responsibilities of the Risk Management Committee are understood by all members.	30/03/2018	Chief Risk Officer (CRO), RMC
	Workshop the Charter to ensure that RMC members are aware of their roles and responsibilities.		30/03/2018	RMC
	Review Risk Champion appointments.		30/12/2018	Chief Risk Officer (CRO), RMC
	Review and approval of the Risk Champions Terms Of Reference.		30/12/2018	Chief Risk Officer (CRO), RMC
2) Training and Support	Informing employees of risk management and fraud orientation programmes for all municipal officials, with guidance from Provincial Treasury	Equipped officials understanding and executing their risk management responsibilities effectively.	Quarterly, starting June 2018	(CRO), Human Resources, Provincial Treasury
	Develop and formalise detailed training programme/ plan for Risk Champions and any cost implications, with guidance from Provincial Treasury	Development of Risk Champions with the skills, knowledge, leadership qualities and power of office required to champion.	31/09/2018	(CRO), Human Resources, Provincial Treasury
3) Tools and	Procurement of electronic risk management system	Monthly risk and risk action	Reliant on	CRO

DETAIL IMPLEMENTATION PLAN – ANNEXURE B				
a. Planned Action	b. Detailed Action	c. Output	d. Due Date	e. Responsible Person(s)
Technology		reports.	procurement of electronic system Sept 2018	
4) Risk Management Policy	Review the Risk Management Policy.	Approved Risk Management Policy	31/04/2018	CRO
	Review the RM philosophy.	Paragraph in IDP	31/04/2018	CRO
	Determine the risk appetite and universe, and include in the policy.	Approved Risk Management Policy	31/04/2018	CRO
	RMC reviews the Policy and makes recommendation to Council for approval	Minutes of Risk Management meeting	30/04/2018	RMC
	Council reviews and approves the Risk Management Policy.	Minutes of Council Meeting	31/05/2018	Council
	Accounting Officer signs the approved Risk Management Policy	Signed policy	31/05/2018	Accounting Officer (AO)
5) Risk Management Strategy and	Review the Risk Management Strategy and Implementation Plan	Approved Risk Management Strategy and Implementation	31/04/2018	CRO

DETAIL IMPLEMENTATION PLAN – ANNEXURE B				
a. Planned Action	b. Detailed Action	c. Output	d. Due Date	e. Responsible Person(s)
Implementation Plan		Plan,		
	RMC reviews the Risk Management Strategy and Implementation Plan and makes recommendation to Council for approval	Minutes of Risk Management meeting	30/04/2018	RMC
	Council reviews and approves the Risk Management Strategy and Implementation Plan	Minutes of Council Meeting	31/05/2018	Council
	Accounting Officer signs the approved Risk Management Strategy and Implementation Plan	Signed policy	31/05/2018	AO
6) Effective Communication of the Risk Management Policy	Provide each department head with a copy of the approved Risk Management Policy, ensuring that they acknowledge receipt of the policy. Departments must cascade awareness of the Policy down to employees at Section meetings and workshop with departments	Proof of receipt of policy	30/06/2018	CRO, Heads of Departments
	Submit approved Risk Management policy to Communication for placement on the municipality's website	Proof of website placement	30/06/2018	CRO

DETAIL IMPLEMENTATION PLAN – ANNEXURE B				
a. Planned Action	b. Detailed Action	c. Output	d. Due Date	e. Responsible Person(s)
7) Fraud Risk Management Policy	Request Legal Officer to submit the reviewed Fraud Risk Management Policy and place on agenda of RMC	Approved Fraud Risk Management Policy	31/04/2018	Legal officer
	RMC reviews the Fraud Risk Management Policy and makes recommendation to Council for approval	Proof of submission to RMC	30/04/2018	RMC
	Council reviews and approves the Fraud Risk Management Policy	Minutes and agenda of Council meeting.	31/05/2018	Council
	Accounting Officer signs the approved Fraud Risk Management Policy		31/05/2018	AO
8) Fraud Risk Management Strategy and Implementation Plan	Request Legal Officer to submit the reviewed Fraud Risk Management Policy and place on agenda of RMC	Approved Fraud Risk Management Strategy and Implementation,	31/04/2018	Legal officer
	RMC reviews the Fraud Risk Management Strategy and Implementation Plan and makes recommendation to Council for approval	Proof of submission to RMC	30/04/2018	RMC
	Council reviews and approves the Fraud Risk Management Strategy and Implementation Plan	Minutes and agenda of Council meeting.	31/05/2018	Council

DETAIL IMPLEMENTATION PLAN – ANNEXURE B				
a. Planned Action	b. Detailed Action	c. Output	d. Due Date	e. Responsible Person(s)
	Accounting Officer signs the approved Fraud Risk Management Strategy and Implementation Plan		31/05/2018	AO
9) Effective Communication of the Fraud Risk Management Policy.	Provide each department head with a copy of the approved Fraud Risk Management Policy, ensuring that they acknowledge receipt of the policy. Departments must cascade awareness of the Policy down to employees at Section meetings.	Creating fraud awareness within the municipality.	30/06/2018	Legal Officer
	Submit approved Fraud Risk Management Policy to Communication section for placement on the municipality's website.	Proof of placement of website	30/06/2018	Legal Officer, Communication Office
10) Setting Municipal Objectives	Facilitate the discussion regarding objectives that are consistent with the Municipality's Constitutional mandate.	IDP inclusion of departmental risk identification process that could impact the achievement of objectives.	30/08/2018	CRO, IDP Manager, HOD's
11) Facilitate strategic risk assessment	Arrange a strategic risk assessment workshop and invite all the relevant officials.	Invite and minutes	28/02/2019	CRO
	Gather the necessary information.	Departmental meetings	31/01/2019	

DETAIL IMPLEMENTATION PLAN – ANNEXURE B				
a. Planned Action	b. Detailed Action	c. Output	d. Due Date	e. Responsible Person(s)
	Facilitate the strategic risk identification.	attendance register	31/01/2019	
	Facilitate the strategic risk assessment session (Rating risk inherently and on a residual level). Risk responses and allocate risk owners.	Invite and minutes	28/02/2019	
	Analyse information and develop risk assessment reports.		Quarterly	
12) Facilitate enterprise-wide operational risk assessments.	Arrange an operational risk assessment workshop and invite all the relevant officials.	Invite and minutes	28/02/2019	CRO
	Gather the necessary information.		31/01/2019	
	Facilitate the operational risk identification.	Departmental meetings attendance register	28/02/2019	
	Facilitate the operational risk assessment session (Rating risk inherently and residual level Determine risk responses and allocate risk owners).	Invite and minutes	28/02/2019	
	Analyse information and develop risk assessment reports.		28/02/2019	
13) Development of	Monitor implementation of action on strategic risks	Quarterly reports submitted to	Quarterly	CRO

DETAIL IMPLEMENTATION PLAN – ANNEXURE B				
a. Planned Action	b. Detailed Action	c. Output	d. Due Date	e. Responsible Person(s)
risk response strategies		RMC		
14) Effective Reporting	Implement appropriate risk reporting to the Accounting Officer, Executive Authority, Audit Committee, RMC and Senior Management.	Approved progress reports: present progress reports to various stakeholders quarterly	Quarterly	CRO
15) Drafting of individual key risk indicators for the top risks	Analysis report of key risk indicators per agreed frequency.	Risk registers wit indicators	Quarterly	CRO/PMS officer
16) Assess risk controls effectiveness	Assign assurance providers to assess the controls of medium and low risks identified (monitored risks).	Combined assurance plan. Report on Top 10 risks controls assessed	30 June 2019	CRO/All relevant assurance providers

13. STRATEGY REVIEW

This Strategy shall be reviewed annually to reflect the Municipality's current stance on risk management.

14. REFERENCES

The information contained in this Risk Management Strategy, as well as the general structure hereof, was sourced mainly from templates and guidebooks supplied by National Treasury on its website (<http://www.treasury.gov.za/>).

ACKNOWLEDGEMENT OF APPROVAL

Recommended by the Accounting Officer/Risk Management Committee

Signature:



Name in Print:

MG STRATU

Date:

10 APRIL 2018

Position:

ACCOUNTING OFFICER

Approved by Council

Resolution Number:

C. 2

Date:

29 MAY 2018