

## GEORGE MUNICIPALITY

# RISK MANAGEMENT STRATEGY AND IMPLEMENTATION PLAN

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## **1. OVERVIEW**

### **1.1 INTRODUCTION**

George Municipality (the Municipality) 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.

The Risk Management Implementation Plan – Refer to Annexure A details the recommended actions in order to efficiently and effectively implement the Risk Management Policy and Strategy and improve risk maturity in the Municipality.

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.

### **3.3 THE COMMITTEE OF SPONSORING ORGANISATIONS OF THE TREADWAY COMMISSION**

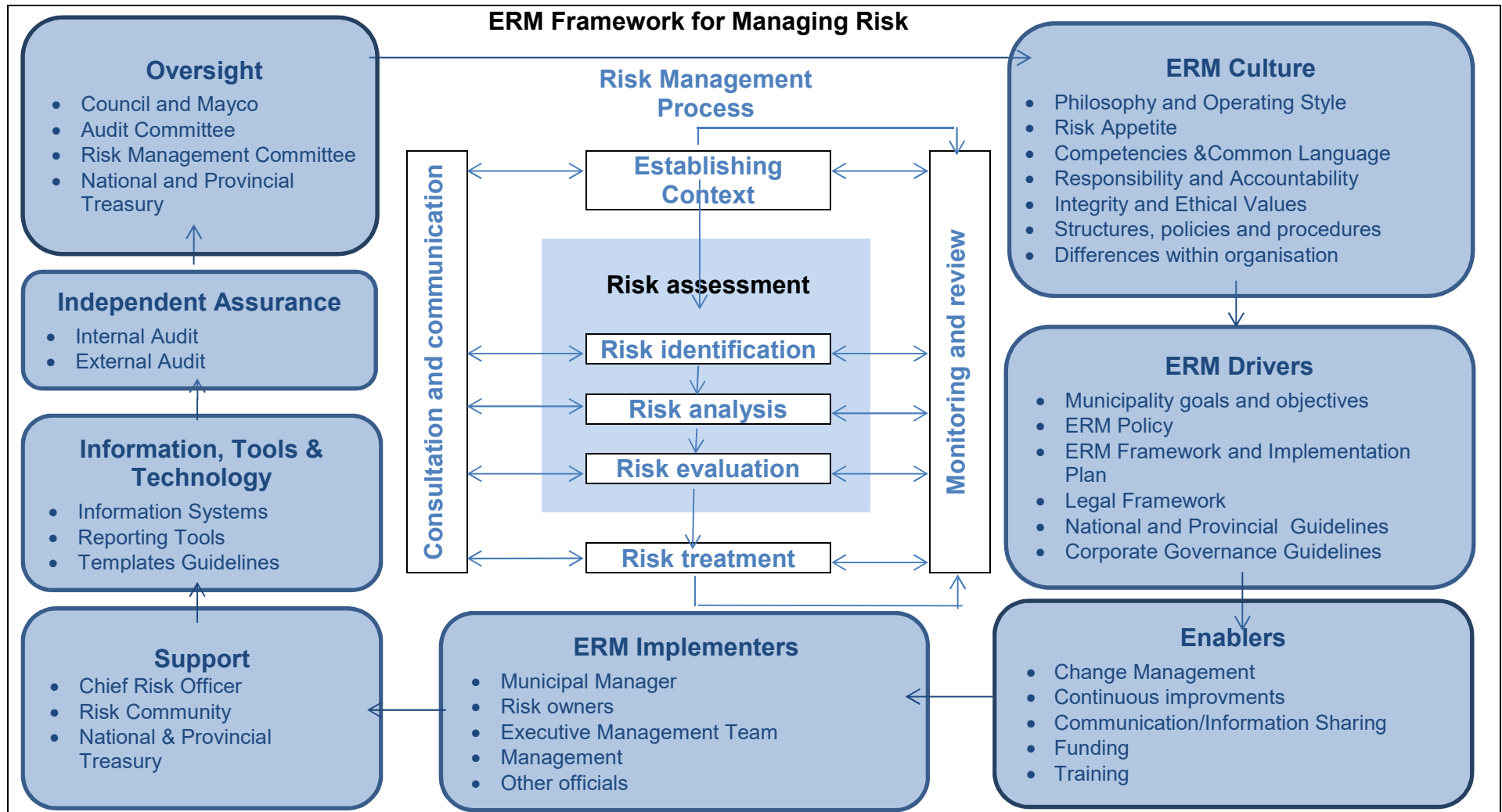
The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of five private sector organizations and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. 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.

### **3.4 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. (This guide is not available in printed form but can be accessed at: <https://ag.treasury.gov.za/org/rms/lgrmf/SitePages/Home.aspx>).

#### 4. ERM FRAMEWORK OF GEORGE MUNICIPALITY

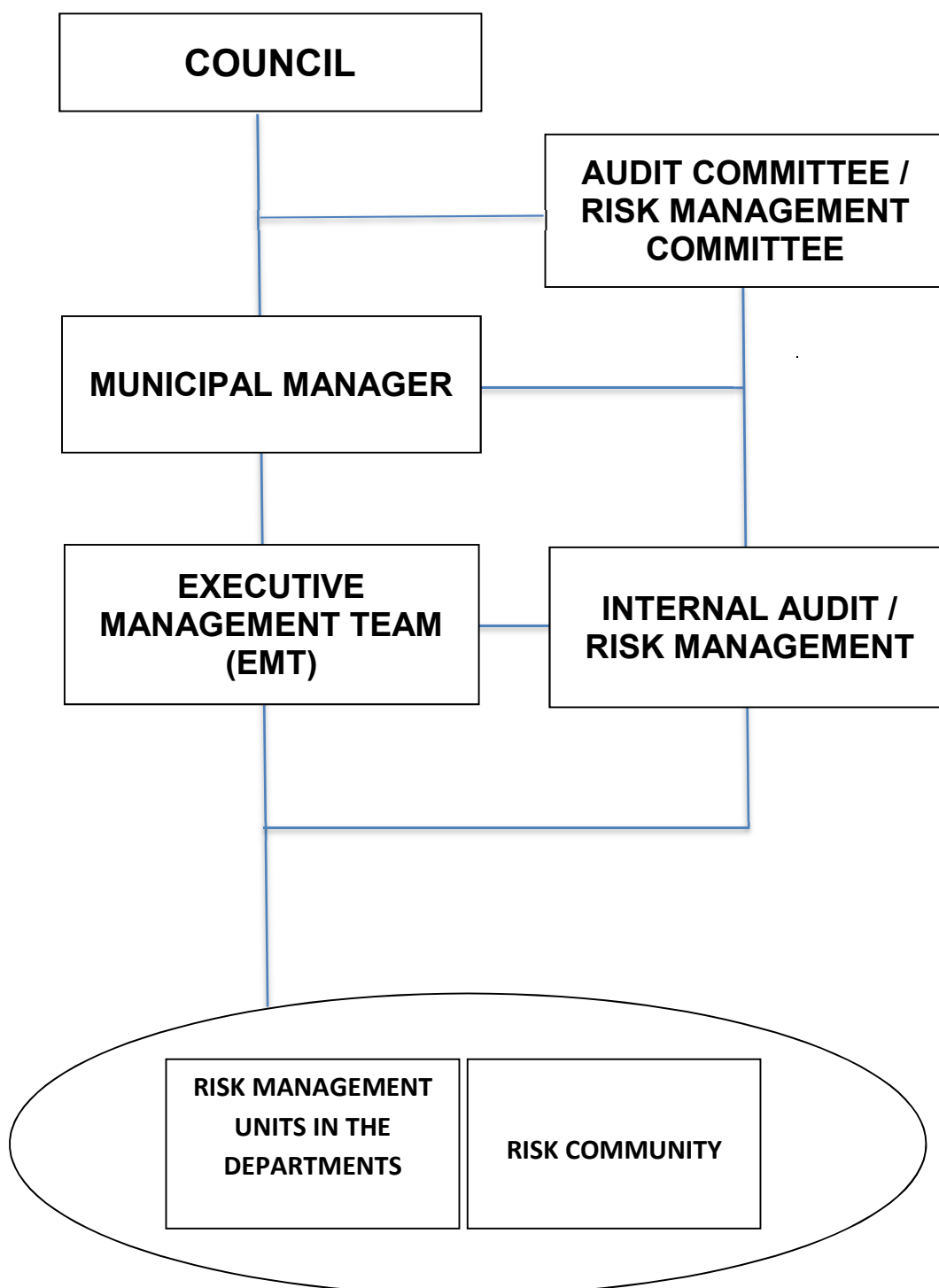
The various role-players, processes and systems should be coordinated in a structured manner (ISO31000:2009) as depicted below.



## 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 Municipality 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 Improvement 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 assurance 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 the Municipality's control, governance and risk management. This Committee should provide stakeholders with an independent and objective view of the Municipality's 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.	Quarterly

Ref.	Activity	Frequency
	<ul style="list-style-type: none"> <li>The top risks facing the Municipality.</li> <li>Any risk developments (changes) / incidents / losses.</li> <li>Recommendations to address any deficiencies identified.</li> </ul>	
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 implementor 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	<p>Ensure appropriate action in respect of recommendations of the Audit Committee, Internal Audit, External Audit and RMC to improve ERM.</p> <p>Actions include:</p> <ul style="list-style-type: none"> <li>Ensure risk register is updated for risks identified / discussed in assurance reports from the Auditor-General, Audit Committee, Internal Audit, etc.</li> <li>Identify actions / controls / recommendations with timeframes and responsibilities.</li> <li>Monitor and report on implementation.</li> </ul>	On-going
33	<p>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.</p> <ul style="list-style-type: none"> <li>New / emerging risks; transversal risks; risks exceeding appetite; risks for which there are inadequate TAPs; etc.</li> <li>The top risks facing the Municipality.</li> <li>Any risk developments (changes) / incidents / losses.</li> <li>Recommendations to address any deficiencies identified.</li> </ul> <p>Present their ERM report to RMC and must clarify and verify the integrity of the risk registers submitted at RMC meetings</p> <p>It must be noted that the Ward Committees and Portfolio Councillors are an integral part of the stakeholders referred to in this section.</p>	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 CRO 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. <ul style="list-style-type: none"> <li>The top risks facing the Municipality.</li> <li>Any risk developments (changes) / incidents / losses.</li> <li>Recommendations to address any deficiencies identified.</li> </ul>	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

The primary responsibility of the Chief Risk Officer (CRO) is to bring his/her specialist expertise to assist the Municipality to embed risk management and leverage its benefits to enhance performance. The CRO 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 recommended roles and responsibilities in ERM, inter alia:

Ref	Activity	Frequency
58	Member of the Senior Management Team (SMT).	Ongoing
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 CRO in their respective Directorates and Departments, in order to ensure that ERM is carried out in accordance with the Municipality's 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	<p>Guidance per the LGRMF:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• 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</li> <li>• 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.</li> <li>• Understand risk management electronic system (e.g. BarnOwl, MS Excel, etc) in order to provide support to the Directorate.</li> </ul>	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 CRO instances where the risk management efforts are being hampered (e.g. lack of co-operation or lack of skills and expertise).	Continuously
72	<p>Ensure that Risk Management is a standing agenda point on their <u>Directorate's</u> Management meetings and actively discussed including, inter alia:</p> <ul style="list-style-type: none"> <li>• New / emerging risks</li> <li>• Risks which transpired</li> <li>• Risks which need to be escalated further</li> <li>• Risks which have no / inadequate action plans / or risk which have no identified risk owner</li> <li>• Implementation status of action plans</li> <li>• Top risks</li> </ul>	Continuously



Ref.	Activity	Frequency
	<ul style="list-style-type: none"> <li>• Transversal risks</li> <li>• Risks exceeding risk appetite</li> <li>• Changes in risk assessed ratings</li> <li>• Appropriate risk reports depending on the Directorate's needs</li> <li>• Risk related activities</li> </ul>	
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. <ul style="list-style-type: none"> <li>• Obtain feedback from the EMT, management and risk owners.</li> <li>• Risk co-ordinators must provide assistance where required.</li> <li>• 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.)</li> </ul>	When required
79	New and emerging risks: <ul style="list-style-type: none"> <li>• Prompt risk owners for emerging and new risks to be included on the risk registers.</li> <li>• Assist managers to identify specific risks and how to address the risks.</li> </ul>	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: <ul style="list-style-type: none"> <li>• Risk registers.</li> <li>• Risk reports which are adequately signed-off.</li> <li>• Changes to risk registers (regularly)</li> </ul>	When required
82	Ensure feedback to the Risk Management Section on the following risk management activities within the Directorate: <ul style="list-style-type: none"> <li>• The status of risk management.</li> <li>• Risk management related actions within Directorate.</li> <li>• This may be done through Risk Management Workshops and Treatment Action Plans (TAPs) sessions.</li> </ul>	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 <u>Department's Management</u> 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: <ul style="list-style-type: none"><li>• Prompt risk owners for emerging and new risks to be included on the risk registers.</li></ul>	Continuously

## 6.8 INTERNAL AUDIT [ASSURANCE PROVIDER]

Internal Audit should provide independent, objective assurance on the effectiveness of the Municipality's 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.

## 7. RISK MANAGEMENT PROCESS

There are eight (8) vital and interrelated components in the risk management process (Enterprise Risk Management: Integrated Framework (COSO 2004)):

### 7.1 INTERNAL ENVIRONMENT

1	<b>INTERNAL ENVIRONMENT:</b>	
	<ul style="list-style-type: none"><li>• <i>The foundation of all other components of risk management.</i></li><li>• <i>Encompasses the tone of an organization and sets the basis for how risk is viewed and addressed.</i></li></ul> <p><i>There are 10 factors to consider:</i></p>	
1.1.	Risk Management Philosophy	<p><i>The philosophy is the municipality's beliefs about risk and how it chooses to conduct its activities and deal with risks. It reflects the value the municipality seeks from risk management and influences how risk management components are applied.</i></p> <p>George Municipality's risk management philosophy is clearly stated in its Risk Management Policy. Importantly, management reinforces the philosophy not only with words but with everyday actions and the CRO will communicate the risk management philosophy effectively throughout the municipality to ensure that all personnel understand the municipality's commitment to risk management.</p>
1.2.	Risk Appetite	<p><i>Risk appetite is the amount of risk the municipality is willing to accept in pursuit of value. The risk appetite is directly related to a municipality's strategy. It is considered in strategy setting, where the desired return from a strategy should be aligned with the municipality's risk appetite.</i></p> <p><i>Risk appetite:</i></p> <ul style="list-style-type: none"><li>• <i>Enables an improved consistency of decision making at all levels through improving risk understanding;</i></li><li>• <i>Provides a framework for knowingly accepting risks within defined boundaries;</i></li><li>• <i>Improves the ability of the Audit &amp; Risk Committee to challenge recommendations of management by providing a benchmark of what level of risk is defined as acceptable; and</i></li><li>• <i>Derives real value from the assessment of risk over and above compliance purposes.</i></li></ul> <p><i>The risk appetite decided upon should be formally considered as part of the setting of business strategy, with capital expenditure and other strategic decisions reviewed against it as they arise.</i></p>

1	INTERNAL ENVIRONMENT:
	<p><i>As risk appetite is unlikely to be reduced to a single measurement, the Municipality needs to decide on the key measurements of risk that are best aligned to its business objectives and in most cases risk appetite will be defined by a mixture of quantitative and qualitative elements.</i></p> <p><i>The key determinants of risk appetite are as follows:</i></p> <ul style="list-style-type: none"> <li>• <i>Expected performance;</i></li> <li>• <i>The resources needed to support excepting taking risks;</i></li> <li>• <i>The culture of the Municipality;</i></li> <li>• <i>Management experience along with risk and control management skills;</i></li> <li>• <i>Longer term strategic priorities.</i></li> </ul> <p><i>The following risk appetite diagnostics may be considered:</i></p> <ul style="list-style-type: none"> <li>• <i>Cash flow;</i></li> <li>• <i>Development events;</i></li> <li>• <i>Clarity of strategy;</i></li> <li>• <i>Risk-taking propensity of management;</i></li> <li>• <i>Resources at risk;</i></li> <li>• <i>Exposure to market forces;</i></li> <li>• <i>Investment in Information Technology;</i></li> <li>• <i>Stagnation corrections/interventions;</i></li> <li>• <i>Customer orientation of service design; and</i></li> <li>• <i>Internal and external rate of change.</i></li> </ul> <p><i>The risk appetite at George Municipality is currently set as follows:</i></p> <p><i>24%</i></p> <p><i>Risk rating: 6    [Impact (5) x Likelihood (5) = 25 x 24% = 6]</i></p> <p><i>George Municipality considers risk appetite qualitatively, with such categories as high, moderate or low, or may take a quantitative approach, reflecting and balancing goals for capital expenditure, budgets and risk.</i></p>



1	INTERNAL ENVIRONMENT:		
		Inherent risk ratings and magnitude	
		Risk rating	Inherent risk magnitude      Response
		14.1 - 25	High Unacceptable level of risk. High level of control intervention is required to achieve an acceptable level of residual risk.
		6.1 - 14	Medium Unacceptable level of risk, except under unique circumstances or conditions. Moderate level of control intervention is required to achieve an acceptable level of residual risk.
		1 - 6	Low Mostly acceptable. Low level of control intervention required, if any.
		Residual risk ratings and magnitude ( <i>Inherent risk rating x control effectiveness factor = residual risk rating</i> )	
		Risk rating	Inherent risk magnitude      Response
		14.1 - 25	High Unacceptable level of residual risk. Implies that controls are either fundamentally inadequate (poor design) or ineffective (poor implementation).  Controls require substantial redesign, or a greater emphasis on proper implementation.
		6.1 - 14	Medium Unacceptable level of residual risk. Implies that controls are either inadequate (poor design) or ineffective (poor implementation). Controls require some redesign, or more emphasis on proper implementation.
		1 - 6	Low Mostly acceptable level of residual risk. Requires minimal control intervention.
		It is noted that qualitative factors can also influence the Risk Appetite, and as such, management considers these factors when performing their assessment of the Risk Appetite relating to each specific risk.	

1	INTERNAL ENVIRONMENT:	
		<p>The formulation of the risk appetite is typically closely aligned to the strategic planning process and is also inclusive of budgeting, and as such is something that is reviewed by management annually.</p> <p>George Municipality's risk appetite guides resource allocation. Management allocates resources across departments and functional areas within departments with consideration to George Municipality's risk appetite and individual strategy for ensuring that expenditure remains within the budget and that the objectives are met. Management considers its risk appetite as it aligns its resources and designs infrastructure necessary to effectively respond to and monitor risks.</p> <p>The Risk Committee and Audit Committee reviews the Strategic Business Plan of the Municipality and approves the operating objectives as being achievable, within the context of the level of risk acceptable, as part of the annual strategy approval process. George Municipality's risk appetite then represents the amount of risk it is willing to accept as it seeks to achieve its business objectives.</p> <p>Risk appetite is communicated through the strategic and implementation plans at both organizational and operational levels. The Risk Committee, Audit Committee and management will monitor the risk appetite relative to the Municipality's actual results and communicate any actions required as a result.</p> <p>George Municipality reflects its Risk Appetite at an operational level through its Delegations of Authority to management. These delegated limits are made in respect of both financial and non-financial matters, which are then further delegated within each department and functional area.</p>
1.3.	Risk Culture	<p><i>Risk culture is the set of shared attitudes, values and practices that characterise how the municipality considers risk in its day-to-day activities.</i></p> <p>Management considers how its risk culture affects and aligns with other elements of risk management. Where misalignment exists, management may take steps to reshape the culture perhaps by rethinking its risk philosophy and risk appetite or how it applies risk management.</p>
1.4.	Integrity and ethical values	<p><i>Management integrity is a prerequisite for ethical behaviour in all aspects of the municipality's activities. Because the municipality's good reputation is so valuable, the standard of behaviour must go beyond mere compliance with law.</i></p> <p><i>Integrity and ethical values are essential elements of the environment, affecting the design, administration and monitoring of other risk management components. Establishing ethical values is often difficult because of the need to consider the concerns of several parties. Management values must balance the concerns of the Municipality, employees, suppliers and the public.</i></p>

1	INTERNAL ENVIRONMENT:	
		Ethical behaviour and management integrity are by-products of the corporate culture, which encompasses ethical and behavioural standards and how they are communicated and reinforced. Ethical values are not only communicated but also accompanied by explicit guidance regarding what is right and wrong.
1.5.	Commitment to competence	<p><i>Competence reflects the knowledge and skills needed to perform assigned tasks.</i></p> <p>Management decides how well these tasks need to be accomplished weighing the Municipality's strategy and objectives against plans for strategy implementation and achievement of the objectives. Management specifies the competency levels for particular jobs and translates those levels into required knowledge and skills. The necessary knowledge and skills in turn may depend on individuals' intelligence, training and experience.</p>
1.6.	Managements' philosophy and operating style	<p><i>Management's philosophy and operating style affect the way the Municipality is managed, including the kinds of risks accepted. The attitude and daily operating style of top management affect the extent to which actions are aligned with risk philosophy and appetite.</i></p> <p>Management have committed to a disciplined operating style, which is associated with and encourages an appetite for lower risk. Management have committed to an effective environment, which does not require that risks be avoided; rather it reinforces the need to be knowledgeable about the risks associated with strategic choices and the Municipality's operating environment, both internal and external.</p>
1.7.	Organisational structure	<p><i>An organisational structure provides the framework to plan, execute, control and monitor activities.</i></p> <p><i>A relevant organisational structure includes defining key areas of authority and responsibility and establishing appropriate lines of reporting. An organisational structure is developed to suit an institution's needs. The appropriateness of an organisational structure depends, in part, on its size and the nature of its activities.</i></p> <p>The George Municipality is organised to enable effective risk management, and to carry out its activities so as to achieve its objectives.</p>
1.8.	Assignment of authority and responsibility	<p><i>A critical challenge is to delegate only to the extent required to achieve objectives. This means ensuring that risk acceptance is based on sound practices for risk identification and assessment, including sizing risks and weighing potential losses versus gains in arriving at good business decisions. Another challenge is ensuring that all personnel understand the municipality's objectives. It is essential that individuals know how their actions interrelate and contribute to achievement of the objectives. The internal environment is greatly influenced by the extent to which individuals recognise that they will be held accountable. This holds true all the way to the Municipal Manager, who, with executive authority oversight, has ultimate responsibility for all activities within the Municipality.</i></p>

1	INTERNAL ENVIRONMENT:	
		The assignment of authority and responsibility has been communicated to all officials within George Municipality.
1.9.	Human Resources Policies and Practices	<p><i>Human resource practices pertaining to hiring, orientation, training, evaluating, counselling, promoting, compensating and taking remedial actions, send messages to employees regarding expected levels of integrity, ethical behaviour and competence.</i></p> <p>The Municipality is committed to hire competent and trustworthy people, through hiring the most qualified individuals, with emphasis on educational background, prior work experience, past accomplishments and evidence of integrity and ethical behaviour. The Municipality is also committed to an ongoing process of education and training, where required, so that employees are equipped to tackle new challenges as issues and risks throughout the municipality change and become more complex driven in part by rapidly changing technologies and increasing competition.</p>
1.10.	Differences in environment	<p><i>The internal environment of the Municipality's autonomous Directorates, Departments, Sections and other units can vary widely due to differences in senior operating management's preferences, value judgments and management styles. Since operating units often are managed in different ways, it is unlikely their internal environments will be the same. The impact of an ineffective internal environment could be far-reaching, possibly resulting in financial loss, a tarnished public image or a business failure.</i></p> <p>The Municipality has recognised the importance of assessing the effect that varying internal environments can have on other risk management framework components.</p>

## 7.2 OBJECTIVE SETTING

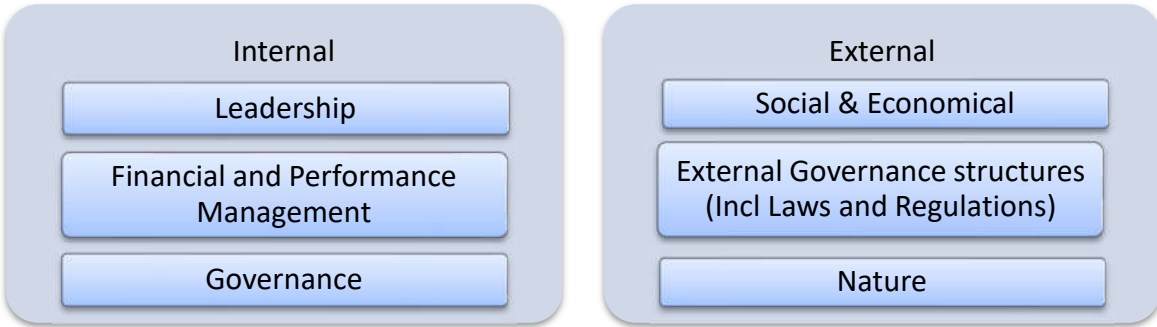
2.	<b>OBJECTIVE SETTING:</b>	
	<ul style="list-style-type: none"> <li>• <i>Objective setting is a precondition to event identification, risk assessment, and risk response.</i></li> <li>• <i>Objectives must exist before management can identify risks to their achievement and take necessary actions to manage the risks.</i></li> </ul> <p><i>There are 4 factors to consider:</i></p>	
2.1.	Strategic objectives	<p><i>Strategic objectives are high-level goals, aligned with and supporting the municipality's mission/vision. Strategic objectives reflect management's choice as to how the municipality will seek to create value for its stakeholders.</i></p> <p>The George Municipality's mission sets out in broad terms what the municipality aspires to achieve. From this, management sets its strategic objectives, formulates strategy and establishes related objectives for the municipality.</p>
2.2.	Related objectives	<p><i>Establishing the right objectives that support and are aligned with the selected strategy, relative to all the municipality's activities, is critical to success. By focusing first on strategic objectives and strategy, a municipality is positioned to develop related objectives at operational levels, achievement of which will create and preserve value. Objectives need to be readily understood and measurable.</i></p> <p>George Municipality's risk management requires that personnel at all levels have a requisite understanding of the municipality's objectives as they relate to the individual's sphere of influence. All employees must have a mutual understanding of what is to be accomplished and a means of measuring what is being accomplished.</p> <p><b>Related objectives include:</b></p> <ul style="list-style-type: none"> <li>• <b>Operations Objectives</b> - These pertain to the effectiveness and efficiency of the municipality's operations, including performance and profitability goals and safeguarding resources against loss.</li> <li>• <b>Reporting Objectives</b> – These pertain to the reliability of reporting. They include internal and external reporting and may involve financial or non-financial information.</li> <li>• <b>Compliance Objectives</b> – These pertain to adherence to relevant laws and regulations.</li> </ul>
2.3.	Selected objectives	As part of risk management, management ensures that the municipality has selected objectives and considered how they support the municipality's strategy and mission/vision. The municipality's objectives also should align with the municipality's risk appetite. Misalignment could result in the municipality not accepting enough risk to achieve its objectives or, conversely, accepting undue risks.
2.4.	Risk appetite and risk tolerance	Frequently, the terms risk appetite and risk tolerance are used interchangeably, although they represent related, but different concepts. Risk appetite is a broad-based description of the desired level of risk that the municipality will take in



2.	<b>OBJECTIVE SETTING:</b>	
		pursuit of its mission. Risk tolerance reflects the acceptable variation in outcomes related to specific performance measures linked to objectives the municipality seeks to achieve.

### 7.3 EVENT IDENTIFICATION

3.	EVENT IDENTIFICATION:												
	<ul style="list-style-type: none"><li>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.</li><li>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. To avoid overlooking relevant events, identification is best made apart from the assessment of the likelihood of the event occurring, which is the topic of Risk Assessment.</li></ul> <p>There are 5 factors to consider:</p>												
3.1.	Factors influencing strategy and objectives	<p>A myriad of external and internal factors influences how events could potentially affect strategy implementation and achievement of objectives. As part of risk management, personnel recognize the importance of understanding external and internal factors and the type of events that can emanate there from. Management considers current factors, as well as those that may occur in the future. The table below lists the internal and external factors:</p> <table><tr><th>Internal</th><th>External</th></tr><tr><td>Infrastructure</td><td>Economic and Business</td></tr><tr><td>Personnel</td><td>Natural environment</td></tr><tr><td>Process</td><td>Political</td></tr><tr><td rowspan="2">Technology</td><td>Social</td></tr><tr><td>Technological</td></tr></table> <p>Similarly contributing factors are divided up into the following categories in order to assist management in determine what matters need to be addressed. (In order to ensure consistency and limit conflicting terminology with regards to the internal contributing factors (Root causes) categories, the categories have been adjusted to agree with the contributing factors used by the AGSA in dashboards supplied to the Municipality.)</p>	Internal	External	Infrastructure	Economic and Business	Personnel	Natural environment	Process	Political	Technology	Social	Technological
Internal	External												
Infrastructure	Economic and Business												
Personnel	Natural environment												
Process	Political												
Technology	Social												
	Technological												

3. EVENT IDENTIFICATION:		
		 <pre> graph LR     subgraph Internal         L[Leadership]         FPM[Financial and Performance Management]         G[Governance]     end     subgraph External         SE[Social &amp; Economical]         EGS[External Governance structures (Incl Laws and Regulations)]         N[Nature]     end </pre>
3.2.	Methodologies and techniques	<p>Event identification methodology may comprise a combination of techniques, together with supporting tools:</p> <ul style="list-style-type: none"> <li>• Management may use interactive group workshops as part of its event identification methodology.</li> <li>• A facilitator employing a variety of technology-based tools may assist during group workshops.</li> </ul> <p>Event identification techniques look to both the past (including past events and trends) and the future (including future exposures).</p>
3.3.	Event interdependencies	<p>Events do not occur in isolation. One event can trigger another, and events can occur concurrently. In event identification, management should understand how events interrelate. By assessing the interrelationships, one can determine where risk management efforts are best directed.</p>
3.4.	Event categories	<p>It may be useful to group potential events into categories:</p> <ul style="list-style-type: none"> <li>• By aggregating events horizontally across the municipality and vertically within operating units, management develops an understanding of the interrelationships between events, gaining enhanced information as a basis for risk assessment.</li> <li>• By grouping together similar potential events, management can better determine potential opportunities and risks.</li> </ul> <p>Event categorisation also allows management to consider the completeness of its event identification efforts.</p>

3. EVENT IDENTIFICATION:												
		<div><div>Compliance</div><div>Legal / Statutory</div><div>Regulatory</div></div> <div><div>Human Capital</div><div>Human Capital</div></div> <div><div>Management Information</div><div>Information</div><div>IT networks and software</div><div>Reporting</div></div> <div><div>Financial</div><div>Budget / monetary constraints</div><div>External</div><div>Liquidity</div><div>Reporting</div></div> <div><div>Process</div><div>Administrative processes</div><div>Physical assets</div><div>Process integrity</div><div>Service delivery processes</div></div> <div><div>Strategic</div><div>Leadership</div><div>Natural environment</div><div>Political</div><div>Reputational</div><div>Service delivery</div><div>Strategic partners</div></div>										
		<table><tr><th colspan="3">Risk Categories</th></tr><tr><th>Risk type</th><th>Risk category</th><th>Description</th></tr><tr><td>Internal</td><td>Human resources</td><td><p>Risks that relate to human resources of the Municipality. These risks have an effect on the Municipality's human capital with regard to:</p><ul style="list-style-type: none"><li>• Integrity and honesty;</li><li>• Recruitment;</li><li>• Skills and competence;</li><li>• Employee wellness;</li><li>• Employee relations;</li><li>• Retention; and</li><li>• Occupational health and safety.</li></ul></td></tr></table>		Risk Categories			Risk type	Risk category	Description	Internal	Human resources	<p>Risks that relate to human resources of the Municipality. These risks have an effect on the Municipality's human capital with regard to:</p> <ul style="list-style-type: none"><li>• Integrity and honesty;</li><li>• Recruitment;</li><li>• Skills and competence;</li><li>• Employee wellness;</li><li>• Employee relations;</li><li>• Retention; and</li><li>• Occupational health and safety.</li></ul>
Risk Categories												
Risk type	Risk category	Description										
Internal	Human resources	<p>Risks that relate to human resources of the Municipality. These risks have an effect on the Municipality's human capital with regard to:</p> <ul style="list-style-type: none"><li>• Integrity and honesty;</li><li>• Recruitment;</li><li>• Skills and competence;</li><li>• Employee wellness;</li><li>• Employee relations;</li><li>• Retention; and</li><li>• Occupational health and safety.</li></ul>										

3. EVENT IDENTIFICATION:			
		Risk Categories	
		Risk type	Description
		Internal	Knowledge and Information management Risks relating to the Municipality's management of knowledge and information. In identifying the risks consider the following aspects related to knowledge management: <ul style="list-style-type: none"> <li>• Availability of information;</li> <li>• Stability of information;</li> <li>• Integrity of information data;</li> <li>• Relevance of information;</li> <li>• Retention; and</li> <li>• Safeguarding.</li> </ul>
		Internal	Litigation Risks that the Municipality might suffer losses due to litigation and lawsuits against it. Losses from litigation can possibly emanate from: <ul style="list-style-type: none"> <li>• Claims by employees, the public, service providers and other third party.</li> <li>• Failure by the Municipality to exercise certain rights that is to its advantage.</li> </ul>
		Internal	Loss \ theft of assets Risks that the Municipality might suffer losses due to either theft or loss of an asset of the Municipality.
		Internal	Material resources (procurement risk) Risks relating to the Municipality's material resources. Possible aspects to consider include: <ul style="list-style-type: none"> <li>• Availability of material;</li> <li>• Costs and means of acquiring \ procuring resources; and</li> <li>• The wastage of material resources.</li> </ul>
		Internal	Service delivery Every Municipality exists to provide value for its stakeholders. The risk will arise if the appropriate quality of service is not delivered to the citizens.

3. EVENT IDENTIFICATION:				
		Risk Categories		
		Risk type	Risk category	Description
		Internal	Information Technology	The risks relating specifically to the Municipality's IT objectives, infrastructure requirement, etc. Possible considerations could include the following when identifying applicable risks: <ul style="list-style-type: none"><li>• Security concerns;</li><li>• Technology availability (uptime);</li><li>• Applicability of IT infrastructure;</li><li>• Integration / interface of the systems;</li><li>• Effectiveness of technology; and</li><li>• Obsolescence of technology.</li></ul>
		Internal	Third party performance	Risks related to the Municipality's dependence on the performance of a third party. Risk in this regard could be that there is the likelihood that a service provider might not perform according to the service level agreement entered into with the Municipality. Non-performance could include: <ul style="list-style-type: none"><li>• Outright failure to perform;</li><li>• Not rendering the required service in time;</li><li>• Not rendering the correct service; and</li><li>• Inadequate / poor quality of performance.</li></ul>
		Internal	Health & Safety	Risks from occupational health and safety issues e.g. injury on duty; outbreak of disease within the Municipality.
		Internal	Disaster recovery / business continuity	Risks related to the Municipality's preparedness or absence thereof to disasters that could impact the normal functioning of the Municipality e.g. natural disasters, act of terrorism, etc. This could lead to the disruption of processes and service delivery and could include the possible disruption of operations at the onset of a crisis to the resumption of critical activities. Factors to consider include: <ul style="list-style-type: none"><li>• Disaster management procedures; and</li><li>• Contingency planning.</li></ul>



3. EVENT IDENTIFICATION:			
		Risk Categories	
		Risk type	Description
		Internal	<p>Risks related to the compliance requirements that the Municipality have to meet. Aspects to consider in this regard are:</p> <ul style="list-style-type: none"> <li>• Failure to monitor or enforce compliance;</li> <li>• Monitoring and enforcement mechanisms;</li> <li>• Consequences of non-compliance; and</li> <li>• Fines and penalties paid.</li> </ul>
		Internal	<p>Fraud and corruption</p> <p>These risks relate to illegal or improper acts by employees resulting in a loss of the Municipality's assets or resources.</p>
		Internal	<p>Financial</p> <p>Risks encompassing the entire scope of general financial management. Potential factors to consider include:</p> <ul style="list-style-type: none"> <li>• Cash flow adequacy and management thereof;</li> <li>• Financial losses;</li> <li>• Wasteful expenditure;</li> <li>• Budget allocations;</li> <li>• Financial statement integrity;</li> <li>• Revenue collection; and</li> <li>• Increasing operational expenditure.</li> </ul>
		Internal	<p>Cultural</p> <p>Risks relating to the Municipality's overall culture and control environment. The various factors related to organisational culture include:</p> <ul style="list-style-type: none"> <li>• Communication channels and the effectiveness;</li> <li>• Cultural integration;</li> <li>• Entrenchment of ethics and values;</li> <li>• Goal alignment; and</li> <li>• Management style.</li> </ul>

3. EVENT IDENTIFICATION:			
		Risk Categories	
		Risk type	Description
		Internal	Reputation
		Factors that could result in the tarnishing of the Municipality's reputation, public perception and image.	
		External	Economic environment
		Risks related to the Municipality's economic environment. Factors to consider include: <ul style="list-style-type: none"> <li>• Inflation;</li> <li>• Foreign exchange fluctuations; and</li> <li>• Interest rates.</li> </ul>	
		External	Political environment
		Risks emanating from political factors and decisions that have an impact on the Municipality's mandate and operations. Possible factors to consider include: <ul style="list-style-type: none"> <li>• Political unrest;</li> <li>• Local, Provincial and National elections; and</li> <li>• Change in office bearers.</li> </ul>	
		External	Social environment
		Risks related to the Municipality's social environment. Possible factors to consider include: <ul style="list-style-type: none"> <li>• Unemployment; and</li> <li>• Migration of workers.</li> </ul>	
		External	Natural environment
		Risks relating to the Municipality's natural environment and its impact on normal operations. Consider factors such as: <ul style="list-style-type: none"> <li>• Depletion of natural resources;</li> <li>• Environmental degradation;</li> <li>• Spillage; and</li> <li>• Pollution.</li> </ul>	
		External	Technological environment
		Risks emanating from the effects of advancements and changes in technology.	
		External	Legislative environment
		Risks related to the Municipality's legislative environment e.g. changes in legislation, conflicting legislation.	

3. EVENT IDENTIFICATION:		
3.5.	Risks and opportunities	<p>Events may have a negative impact, a positive impact or both:</p> <ul style="list-style-type: none"> <li>• Events with a potentially negative impact represent risks, which require management's assessment and response. Accordingly, risk is the possibility that an event will occur and adversely affect the achievement of objectives.</li> <li>• Events with a potentially positive impact represent opportunities or offset the negative impact of risks. Events representing opportunities are channeled back to management's strategy or objective-setting processes, so that actions can be formulated to seize the opportunities.</li> <li>• Events potentially offsetting the negative impact of risks are considered in management's risk assessment and response.</li> </ul>

## 7.4 RISK ASSESSMENT

4. RISK ASSESSMENT:		
		<ul style="list-style-type: none"> <li>• <i>Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed.</i></li> <li>• <i>Risks are assessed on an inherent and a residual basis.</i></li> </ul>
4.1.	Guidance:	<ul style="list-style-type: none"> <li>• In risk assessment, management considers the mix of potential future events relevant to the municipality and its activities. This entails examining factors including the municipality's size, complexity of operations and degree of regulation over its activities that shape the municipality's risk profile and influence the methodology it uses to assess risks.</li> <li>• Risk assessment is a systematic process to quantify or qualify the level of risk associated with a specific threat or event, to enrich the risk intelligence available to the Municipality.</li> <li>• The main purpose of risk assessment is to help the Municipality to prioritise the most important risks as the Municipality is not expected to have the capacity to deal with all risks in an equal manner.</li> <li>• Risks should be assessed based on the likelihood of the risk occurring and the impact of its occurrence on the particular Municipal objective(s) it is likely to affect.</li> <li>• Risks should be expressed in the same unit of measure used for the key performance indicator(s) concerned.</li> </ul>

4.	RISK ASSESSMENT:																
4.2.	Three -stage process of performing risk assessments	<p>Risk assessment should be performed through a three-stage process:</p> <ol style="list-style-type: none"> <li>1. Firstly, the inherent risk assessment should be performed to establish the <u>level of exposure in the absence of deliberate management actions</u> to influence the risk;</li> <li>2. Secondly, a residual risk assessment should follow the process to determine the <u>actual remaining level of risk after the mitigating effects of management actions</u> to influence the risk; and</li> <li>3. Thirdly, the residual risk should be benchmarked against the Municipality's risk appetite to determine the <u>need for further management intervention</u>, if any.</li> </ol> <p><b>Inherent and Residual Risk</b></p> <p>Management considers both inherent and residual risk. Inherent risk is the risk to the municipality in the absence of any actions management might take to alter either the risk's likelihood or impact. Residual risk is the risk that remains after management responds to the risk. Risk assessment is applied first to inherent risks. Once risk responses have been developed, management then uses risk assessment techniques in determining residual risk.</p>															
4.3.	Impact and likelihood	<p>Uncertainty of potential events is evaluated from two perspectives:</p> <ul style="list-style-type: none"> <li>• Likelihood: represents the possibility that a given event will occur.</li> <li>• Impact: represents its effect.</li> </ul> <p>Likelihood and impact are commonly used terms, although some institutions use terms such as probability, and severity or consequence.</p> <p>The following rating table should be utilised to assess the potential impact of risks.</p> <table border="1" data-bbox="490 1005 1998 1393"> <thead> <tr> <th colspan="3">Impact of risks</th></tr> <tr> <th>Rating</th><th>Assessment</th><th>Definition</th></tr> </thead> <tbody> <tr> <td>1</td><td>Insignificant / Negligible</td><td>Negative outcomes or missed opportunities that are likely to have a negligible impact on the ability to meet objectives.</td></tr> <tr> <td>2</td><td>Minor</td><td>Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives.</td></tr> <tr> <td>3</td><td>Moderate</td><td>Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives.</td></tr> </tbody> </table>	Impact of risks			Rating	Assessment	Definition	1	Insignificant / Negligible	Negative outcomes or missed opportunities that are likely to have a negligible impact on the ability to meet objectives.	2	Minor	Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives.	3	Moderate	Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives.
Impact of risks																	
Rating	Assessment	Definition															
1	Insignificant / Negligible	Negative outcomes or missed opportunities that are likely to have a negligible impact on the ability to meet objectives.															
2	Minor	Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives.															
3	Moderate	Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives.															

4.	RISK ASSESSMENT:			
		Impact of risks		
		Rating	Assessment	Definition
		4	Major	Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives.
		5	Critical Extreme	/ Negative outcomes or missed opportunities that are of critical importance to the achievement of the objectives.
		The following rating table should be utilised to assess the likelihood of risks.		
		Likelihood of risks		
		Rating	Assessment	Definition
		1	Rare	The risk is conceivable but is only likely to occur in extreme circumstances.
		2	Unlikely	The risk occurs infrequently and is unlikely to occur within the next 3 years.
		3	Moderate Possible	/ There is an above average chance that the risk will occur at least once in the next 3 years.
4	Likely	The risk could easily occur and is likely to occur at least once within the next 12 months.		
5	Common Certain	/ The risk is already occurring or is likely to occur more than once within the next 12 months.		

4.	RISK ASSESSMENT:		
		<b>Inherent risk exposure (impact x likelihood)</b>  The following rating table should be utilised to categorise the various levels of inherent risk, based on the risk appetite set at 24% (refer to Section 5(1)(2)).	
		Inherent risk ratings and magnitude	
		Risk rating	Inherent risk magnitude
		14.1 - 25	High
		6.1 - 14	Medium
		1 - 6	Low

## 7.5 RISK RESPONSE

5.	RISK RESPONSE:									
	<ul style="list-style-type: none"> <li>Management selects risk responses – avoiding, accepting, reducing or sharing risk – developing a set of actions to align risks with the municipality's risk tolerances and risk appetite.</li> </ul>									
5.1.	Guidance:	<table border="1"> <tr> <td data-bbox="427 496 504 710" rowspan="2">IMPACT</td><td data-bbox="562 395 1055 603"> <p>Medium Risk</p> <p><i>Share (Insurance)</i></p> </td><td data-bbox="1055 395 1581 603"> <p>High Risk</p> <p><i>Avoid &amp; Reduce (Control)</i></p> </td></tr> <tr> <td data-bbox="562 603 1055 847"> <p>Low Risk</p> <p><i>Accept (Risk Appetite)</i></p> </td><td data-bbox="1055 603 1581 847"> <p>Medium Risk</p> <p><i>Reduce (Controls) &amp; Monitor</i></p> </td></tr> <tr> <td colspan="3" style="text-align: center;">PROBABILITY</td></tr> </table>	IMPACT	<p>Medium Risk</p> <p><i>Share (Insurance)</i></p>	<p>High Risk</p> <p><i>Avoid &amp; Reduce (Control)</i></p>	<p>Low Risk</p> <p><i>Accept (Risk Appetite)</i></p>	<p>Medium Risk</p> <p><i>Reduce (Controls) &amp; Monitor</i></p>	PROBABILITY		
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	<p>Low Risk</p> <p><i>Accept (Risk Appetite)</i></p>	<p>Medium Risk</p> <p><i>Reduce (Controls) &amp; Monitor</i></p>								
PROBABILITY										
5.2.	Identifying risk responses	<p>Risk responses fall within the following four categories:</p> <ol style="list-style-type: none"> <li>1. Avoid / Terminate – Action is taken to exit the activities giving rise to risk.</li> <li>2. Reduce / Treat – Action is taken to reduce the risk likelihood or impact, or both. This may involve any of a myriad of everyday business decisions.</li> <li>3. Share / Transfer – Action is taken to reduce risk likelihood or impact by transferring or otherwise sharing a portion of the risk. Common risk sharing techniques include purchasing insurance products, pooling risks, engaging in hedging transactions, or outsourcing an activity.</li> <li>4. Accept / Tolerate – No action is taken to affect likelihood or impact.</li> <li>5. Exploit</li> </ol>								



5.	RISK RESPONSE:	
5.3.	Evaluating Possible Risk Responses	<p>Inherent risks are analysed, and responses evaluated with the intent of achieving a residual risk level aligned with the municipality's risk tolerances.</p> <p>Any of several responses may bring residual risk in line with risk tolerances, and sometimes a combination of responses provides the optimum result.</p> <p>Similarly, certain responses will affect the risk of multiple potential events.</p> <p>Because risk responses may address multiple risks, management may discover that additional actions are not warranted.</p> <p>Existing procedures may be sufficient or may need to be performed better. Accordingly, management considers how individual responses, or combinations of responses, interact to affect potential events.</p>
5.4.	Evaluating Effect of Response on Likelihood and Impact	<p>In evaluating response options, management considers the effect on both risk likelihood and impact, and understands that a response might affect likelihood and impact differently.</p> <p>The potential response to assessment of likelihood and impact may consider past events and trends, and potential future scenarios. In evaluating alternative responses, management determines their potential effect typically using the same units of measure for the objective and associated risks as established in the risk assessment component.</p>

## 7.6 CONTROL ACTIVITIES

6.	CONTROL ACTIVITIES:	
	<ul style="list-style-type: none"> <li><i>Control activities are policies and procedures, which are the actions of people to implement the policies, to help ensure that management's risk responses are carried out.</i></li> </ul>	
6.1.	Types of control activities	<p>Risk analysis consists of the documentation of the "current controls" (systems and processes) that are in place to address the indicated risks, as well as assessing management's confidence in the effectiveness of the control mechanisms driving the various systems (including IT environment) and processes practiced within the Municipality.</p> <p>Internal Controls can be preventative, detective or corrective by nature:</p> <ol style="list-style-type: none"> <li>Preventative Controls are designed to keep errors or irregularities from occurring in the first place.</li> <li>Detective Controls are designed to detect errors or irregularities that may have occurred.</li> <li>Corrective Controls are designed to correct errors or irregularities that have been detected.</li> </ol>

6.	CONTROL ACTIVITIES:	
		<p><u>Controls over information systems</u></p> <p>With widespread reliance on information systems, controls are needed over significant systems. Two broad groupings of information systems control activities can be used:</p> <ul style="list-style-type: none"> <li>(i) <b>General Controls:</b> General controls include controls over information technology management, information technology infrastructure, security management and software acquisition, development and maintenance. These controls apply to all systems from mainframe to client/server to desktop computer environments.</li> <li>(ii) <b>Application Controls:</b> Application controls are designed to ensure completeness, accuracy, authorisation and validity of data capture and processing. Individual applications may rely on effective operation of controls over information systems to ensure that data is captured or generated when needed, supporting applications are available and interface errors are detected quickly. One of the most significant contributions of computers is the ability to prevent errors from entering the system, as well as detecting and correcting them once they are present. To do this, application controls depend on computerized edit checks. These consist of format, existence, reasonableness and other checks on the data that are built into an application during development. When properly designed, they can provide control over entered data.</li> </ul> <p>Combined with other manual process controls where necessary, these controls ensure completeness, accuracy and validity of information.</p>
6.2.	Assessment of controls	<p>Controls may reduce the likelihood of occurrence of a potential risk, the impact of such a risk, or both.</p> <p>Management needs to assess the control effectiveness based on their understanding of the control environment currently in place. Residual risk will therefore inform management of the actual level of control effectiveness.</p> <p>Controls should be considered based on:</p> <ul style="list-style-type: none"> <li>• Design effectiveness (Is the control “fit for purpose” in theory, i.e. is the control designed appropriately for the function for which it is intended); and</li> <li>• Operational effectiveness (Does the control work as practically intended).</li> </ul>

6.	CONTROL ACTIVITIES:																																			
	<p>Assess the <b>effectiveness</b> of controls:</p> <table><tr><th colspan="3">Effectiveness of controls</th></tr><tr><th>Effectiveness rating</th><th>Definition</th><th></th></tr><tr><td>Very good</td><td>Risk exposure is effectively controlled and managed.</td><td></td></tr><tr><td>Good</td><td>Majority of risk exposure is effectively controlled and managed.</td><td></td></tr><tr><td>Satisfactory</td><td>There is room for some improvement.</td><td></td></tr><tr><td>Weak</td><td>Some of the risk exposure appears to be controlled, but there are major deficiencies.</td><td></td></tr><tr><td>Unsatisfactory</td><td>Control measures are ineffective.</td><td></td></tr></table> <p>Assess the <b>design adequacy</b> of controls:</p> <table><tr><th colspan="3">Effectiveness of controls</th></tr><tr><th>Effectiveness rating</th><th>Definition</th><th></th></tr><tr><td>Adequate</td><td>Risk exposure is effectively controlled and managed.</td><td></td></tr><tr><td>Inadequate</td><td>Control measures are ineffective.</td><td></td></tr></table> <p>The factor assigned to each rating indicates the extent to which the risk related to each control is not managed.</p> <p>Residual risk exposure (<i>inherent risk x control effectiveness</i>)</p> <p>The following rating table should be utilised to categorise the various levels of residual risk, after taking into consideration the risk appetite of 24% (refer to Section 5(1)(2)).</p>			Effectiveness of controls			Effectiveness rating	Definition		Very good	Risk exposure is effectively controlled and managed.		Good	Majority of risk exposure is effectively controlled and managed.		Satisfactory	There is room for some improvement.		Weak	Some of the risk exposure appears to be controlled, but there are major deficiencies.		Unsatisfactory	Control measures are ineffective.		Effectiveness of controls			Effectiveness rating	Definition		Adequate	Risk exposure is effectively controlled and managed.		Inadequate	Control measures are ineffective.	
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6.	CONTROL ACTIVITIES:														
		<div>Residual risk ratings and magnitude (<i>Inherent risk rating x control effectiveness factor = residual risk rating</i>)</div> <table><tr><th>Risk rating</th><th>Inherent risk magnitude</th><th>Response</th></tr><tr><td>14.1 - 25</td><td>High</td><td>Unacceptable level of residual risk. Implies that controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). Controls require substantial redesign, or a greater emphasis on proper implementation.</td></tr><tr><td>6.1 - 14</td><td>Medium</td><td>Unacceptable level of residual risk. Implies that controls are either inadequate (poor design) or ineffective (poor implementation). Controls require some redesign, or more emphasis on proper implementation.</td></tr><tr><td>1 - 6</td><td>Low</td><td>Mostly acceptable level of residual risk. Requires minimal control intervention.</td></tr></table>		Risk rating	Inherent risk magnitude	Response	14.1 - 25	High	Unacceptable level of residual risk. Implies that controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). Controls require substantial redesign, or a greater emphasis on proper implementation.	6.1 - 14	Medium	Unacceptable level of residual risk. Implies that controls are either inadequate (poor design) or ineffective (poor implementation). Controls require some redesign, or more emphasis on proper implementation.	1 - 6	Low	Mostly acceptable level of residual risk. Requires minimal control intervention.
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6.3.	Management / treatment of risks	<p>Risk response is concerned with developing strategies to reduce or eliminate the threats and events that create risks.</p> <p>Risk response should also make provision for the exploitation of opportunities to improve the performance of the Municipality.</p> <p>Responding to risk involves identifying and evaluating the range of possible options to mitigate risks and implementing the chosen option.</p> <p>Directors should develop response strategies for all material risks, whether or not the management thereof is within the direct control of the Municipality, prioritising the risks exceeding or nearing the risk appetite level.</p> <p>Where the management of the risk is within the control of the Municipality, the response strategies should consider:</p> <ol style="list-style-type: none"><li>1. Avoiding the risk by, for example, choosing a different strategy or terminating the activity that produces the risk;</li><li>2. Treating the risk by, for example, implementing or improving the internal control system;</li><li>3. Transferring the risk to another party more competent to manage it by, for example, contracting out services, establishing strategic partnerships and buying insurance;</li><li>4. Accepting the risk where cost and strategy considerations rule out alternative strategies; and</li><li>5. Exploiting the risk factors by implementing strategies to take advantage of the opportunities presented by such risk factors.</li></ol>													

6.	<b>CONTROL ACTIVITIES:</b>																						
		<p>In instances where the management of risk is not within the control of the Municipality, the response strategies should consider measures such as forward planning and lobbying.</p> <p>Response strategies should be documented, and the responsibilities and timelines attached thereto should be communicated to the relevant persons.</p>																					
6.4.	Effectiveness of risk treatment activities	<p>The selection and implementation of appropriate options for dealing with risk is the responsibility of the Directors of the Municipality. The following guidelines can be used to assess and record the effectiveness of the risk treatment activities for each identified risk:</p> <table border="1" data-bbox="454 547 1951 1083"> <thead> <tr> <th colspan="3">Effectiveness of the risk treatment activities for each identified risk:</th></tr> <tr> <th>Score</th><th>Rating</th><th>Description</th></tr> </thead> <tbody> <tr> <td>5</td><td>Burdensome</td><td>Treatment activities address this risk but are commonly perceived as “holding back” the Municipality and/or are too costly.</td></tr> <tr> <td>4</td><td>Over</td><td>Treatment activities address this risk but are inefficient because too many resources are used and/or resources could be better managed.</td></tr> <tr> <td>3</td><td>Optimal</td><td>Treatment activities effectively address this risk in a cost-effective manner.</td></tr> <tr> <td>2</td><td>Under</td><td>Treatment activities have an unsatisfactory impact on this risk and are insufficient because too few resources are used to address it, and/or those resources are not managed appropriately.</td></tr> <tr> <td>1</td><td>Negligible</td><td>Treatment activities have little or no impact on this risk because they either do not exist or are poorly managed.</td></tr> </tbody> </table> <p>The management of individual risks are somewhat subjective. The following additional guidelines should however be followed:</p> <ul style="list-style-type: none"> <li>• The annual cost of risk control should not exceed the gross annual risk cost;</li> <li>• The Municipality does not seek to eliminate all risks nor be a high-risk taker - moderate levels of risk are acceptable; and</li> <li>• The resources allocated to risk treatment should be given priority in the areas of safety, health, environmental, customer service, operational and financial.</li> </ul>	Effectiveness of the risk treatment activities for each identified risk:			Score	Rating	Description	5	Burdensome	Treatment activities address this risk but are commonly perceived as “holding back” the Municipality and/or are too costly.	4	Over	Treatment activities address this risk but are inefficient because too many resources are used and/or resources could be better managed.	3	Optimal	Treatment activities effectively address this risk in a cost-effective manner.	2	Under	Treatment activities have an unsatisfactory impact on this risk and are insufficient because too few resources are used to address it, and/or those resources are not managed appropriately.	1	Negligible	Treatment activities have little or no impact on this risk because they either do not exist or are poorly managed.
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<b>6.</b>	<b>CONTROL ACTIVITIES:</b>	
		Where current risk mitigation controls are deemed ineffective and therefore warrant action, management will prepare appropriate control improvement and action plans. Included in each control plan will be the allocation of accountabilities, expected outcomes and action dates for the implementation and measurement of the control improvement plan.

## 7.7 INFORMATION AND COMMUNICATION

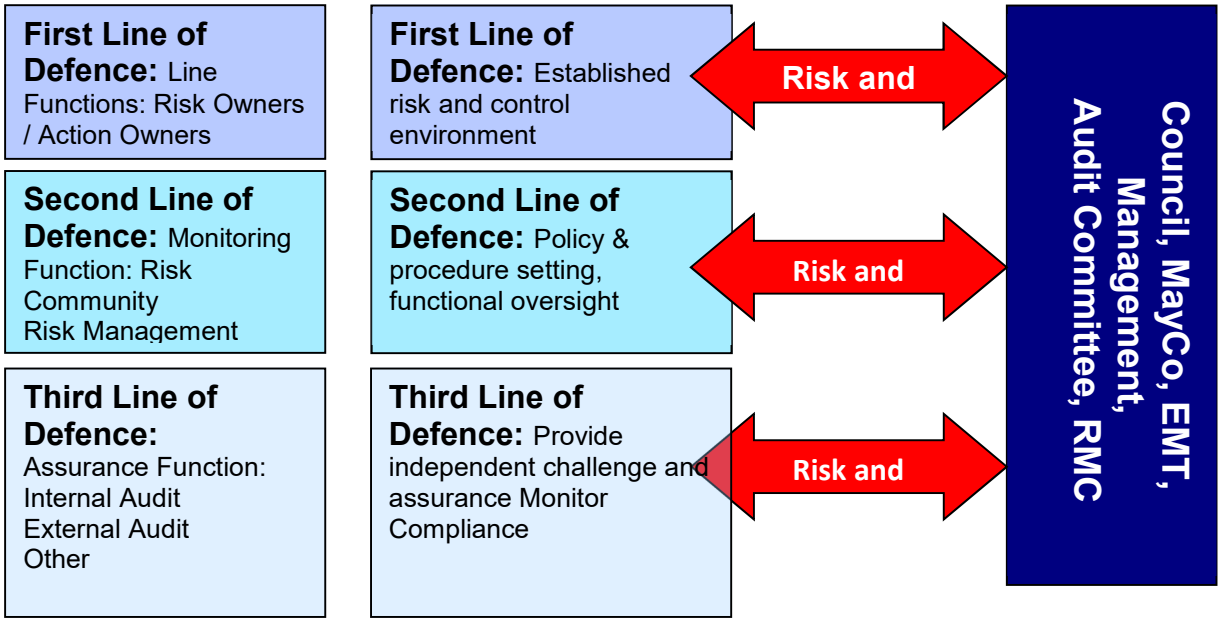
<b>7.</b>	<b>INFORMATION AND COMMUNICATION:</b>	
		<ul style="list-style-type: none"> <li><i>Risks are analysed, considering likelihood and impact, as a basis for determining how they should be managed.</i></li> <li><i>Risks are assessed on an inherent and a residual basis.</i></li> </ul>
7.1.	Guidance	The municipality identifies and captures information financial and non-financial, relating to external as well as internal events and activities relevant to managing the municipality. This information is delivered to personnel in a form and timeframe that enables them to carry out their risk management and other responsibilities.

## 7.8 REPORTING, MONITORING AND REVIEW

<b>8.</b>	<b>REPORTING, MONITORING AND REVIEW:</b>	
		<ul style="list-style-type: none"> <li><i>Control activities are policies and procedures, which are the actions of people to implement the policies, to help ensure that management's risk responses are carried out.</i></li> </ul>
8.1.	Reporting	<b>Frequency and format:</b> <ul style="list-style-type: none"> <li>All new risks and changes to existing risks should be captured into the risk management system timely.</li> <li>The CRO and Risk Owners report to the Risk Management Committee / Audit Committee.</li> <li>The Risk Management Committee / Audit Committee reports to the Council.</li> </ul>

8.	REPORTING, MONITORING AND REVIEW:						
8.2.	Reporting categories	The recommended categories of risk to be reported to Municipal Manager, and the Council are as follows: <table><tr><th>Internal Risks</th><th>External Risks</th></tr><tr><td><ul style="list-style-type: none"><li>• Human resources</li><li>• Knowledge and Information management</li><li>• Litigation</li><li>• Loss / theft of assets</li><li>• Material resources (procurement risk)</li><li>• Service delivery</li><li>• Information Technology</li><li>• Third party performance</li><li>• Health &amp; Safety</li><li>• Disaster recovery / business continuity</li><li>• Compliance / Regulatory</li><li>• Fraud and corruption</li><li>• Financial</li><li>• Cultural</li><li>• Reputation</li></ul></td><td><ul style="list-style-type: none"><li>• Economic environment</li><li>• Political environment</li><li>• Social environment</li><li>• Natural environment</li><li>• Technological environment</li><li>• Legislative environment</li></ul></td></tr></table>		Internal Risks	External Risks	<ul style="list-style-type: none"><li>• Human resources</li><li>• Knowledge and Information management</li><li>• Litigation</li><li>• Loss / theft of assets</li><li>• Material resources (procurement risk)</li><li>• Service delivery</li><li>• Information Technology</li><li>• Third party performance</li><li>• Health &amp; Safety</li><li>• Disaster recovery / business continuity</li><li>• Compliance / Regulatory</li><li>• Fraud and corruption</li><li>• Financial</li><li>• Cultural</li><li>• Reputation</li></ul>	<ul style="list-style-type: none"><li>• Economic environment</li><li>• Political environment</li><li>• Social environment</li><li>• Natural environment</li><li>• Technological environment</li><li>• Legislative environment</li></ul>
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8.3.	Monitoring and Review	<p>Risk management changes over time. Risk responses that were once effective may become irrelevant; control activities may become less effective, or no longer be performed; or the municipality's objectives may change. This can be due to the arrival of new councillors and personnel, changes in the municipal structure or direction, or the introduction of new processes.</p> <p>In the face of such changes, management needs to determine whether the functioning of each risk management component continues to be effective. Monitoring can be done in two ways:</p> <ul style="list-style-type: none"><li>• <b>On-going Monitoring Activities</b></li></ul> <p>Many activities serve to monitor the effectiveness of enterprise risk management in the ordinary course of running the business. These include regular management and supervisory activities, variance analysis, stress testing, comparisons, reconciliations and other routine actions.</p>					



8.	REPORTING, MONITORING AND REVIEW:
	<ul style="list-style-type: none"> <li> <b>Separate Evaluations</b> <p>While on-going monitoring procedures usually provide important feedback on the effectiveness of other risk management components, it may be useful to take a fresh look from time to time, focusing directly on risk management effectiveness. This also provides an opportunity to consider the continued effectiveness of the on-going monitoring procedures.</p> <p>Separate evaluations would be performed by the Internal Audit unit and will assess the existence and functioning of the eight (8) elements of the risk management process at a point in time.</p> <p>Monitoring and follow-up are complemented by the various governance mediums.</p> <p>To ensure proper monitoring and review there are three lines of defence which monitor risk and control improvements, all working together to address the risks that face the Municipality.</p>  <pre> graph LR     subgraph "First Line of Defence"         L1[Line Functions: Risk Owners / Action Owners]     end     subgraph "Second Line of Defence"         L2[Monitoring Function: Risk Community Risk Management]     end     subgraph "Third Line of Defence"         L3[Assurance Function: Internal Audit External Audit Other]     end     subgraph "First Line of Defence"         F1[Established risk and control environment]     end     subgraph "Second Line of Defence"         F2[Policy &amp; procedure setting, functional oversight]     end     subgraph "Third Line of Defence"         F3[Provide independent challenge and assurance Monitor Compliance]     end     subgraph "Governance Bodies"         G[Council, MayCo, EMT, Management, Audit Committee, RMC]     end     L1 &lt;--&gt; Risk and  F1     L2 &lt;--&gt; Risk and  F2     L3 &lt;--&gt; Risk and  F3     F1 &lt;--&gt; Risk and  G     F2 &lt;--&gt; Risk and  G     F3 &lt;--&gt; Risk and  G           </pre> </li> </ul>

8.	<b>REPORTING, MONITORING AND REVIEW:</b>	
8.4.	Reporting: minimum requirements	<p>The reporting requirements will be determined based on the needs, for example, by Council, Risk Management Committee, Audit Committee, Acting Municipal Manager, CRO and SMT.</p> <p>The following minimum requirements with regards to the monitoring and review functions in which internal and external changes should be considered:</p> <ol style="list-style-type: none"> <li>1. Annual review and update of the ERM Framework.</li> <li>2. The on-going monitoring and review of the risk registers and Treatment Action Plans (TAPs). The treatment strategies need to be evaluated regularly.</li> </ol> <p><b>Action Plan Status:</b></p> <ul style="list-style-type: none"> <li>- Not yet started: 0%</li> <li>- Implementation in progress: 1% - 99%</li> <li>- Implemented: 100%</li> </ul> <p>The following minimum reporting should be considered to the RMC:</p> <ol style="list-style-type: none"> <li>1. Dashboards reflecting the top risks and the current state of risk management within the various Directorates.</li> <li>2. A report of emerging risks.</li> </ol> <p>The following minimum reporting should be considered to the Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Combined Assurance reports from the Internal Audit section.</li> <li>2. Minutes of RMC meetings.</li> </ol>

## 8. 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.
Integrated 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 <a href="#">shareholder value</a> , 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.

<b>Terminology</b>	<b>Definition of terminology</b>
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.

## 9. POLICY REVIEW

The Risk Management Strategy and Implementation Plan must be reviewed annually and required amendments must be recommend to Council for approval.

## 10. VERSION

Version	Date
Approved	25 January 2018
Revised (no amendments)	28 January 2019
Revised (no amendments)	26 September 2019
Revised (no amendments)	17 June 2020
Revised and amendments approved	29 June 2021

**ANNEXURE A: DETAILED IMPLEMENTATION PLAN**

Detailed implementation plan to improve risk maturity includes the *recommended* actions:

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
Human Capacity:  Adequate staff capacity to effectively and efficiently implement risk management	Chief Risk Officer (CRO)	1. Appoint a Chief Risk Officer (CRO): <ul style="list-style-type: none"> <li>The CRO should report directly to the AO.</li> <li>Appropriate knowledge, skills and experience.</li> </ul>		Accounting Officer (AO)	As required
	Risk Management Division	2. Job descriptions for vacant posts in the Risk Management Section (per the approved Organogram):		HR / CRO / AO	As required
		3. Obtain budget for vacant posts in the Risk Management Division (per the approved Organogram).		CRO / Budget Office	As required
		4. Recruitment and appointment for vacant posts in the Risk Management Division (per the Organogram).		HR	As required
		5. Project the Risk Management Division's future services and required skills and resources in the context of the municipality's strategic plans.		CRO	Ongoing
		6. Develop long-term strategies for closing the resource gap.		CRO	Ongoing
	Risk Champions	7. Appointment of Risk Champions by AO		Risk Champions / AO	As required
	Risk Co-ordinators	8. Appointment of Risk Co-ordinators by CRO		Risk Champions / AO	As required
Budgeting process	To obtain sufficient budget for implementing, maintaining and continuously improving risk	9. Budget sufficiently for implementing, maintaining and continuously improving risk management and control. This includes budgeting for: (1) Risk officials to attend relevant training.		CRO / Budget Office	Annually

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
	management and control	(2) Risk officials to attend forums and conferences. (3) Purchase awareness materials.			
Risk Management Committee (RMC)	Assistance to the Municipal Manager in discharging his/her risk management responsibilities.	10. AO to appoint a chairperson for the RMC. Independent and suitably skilled person to be appointed as Chairperson.		AO	As required
		11. AO to appoint RMC members.	Comprising both internal and independent members with the necessary skills, competence and attributes.	AO	As required
		12. RMC members to sign appointment letters.		RMC members & AO	As required
	Roles and responsibilities of the RMC are understood by all members.	13. Formally define the responsibilities with respect to risk management in the RMC Charter (i.e. Terms of Reference).		RMC	Annually
		14. Review / amend and approve changes to the RMC Charter.		RMC & RMC Chairperson & AO	Annually
		15. RMC induction of the RMC Charter and Risk Management Framework on appointment.		RMC	As required
		16. Workshop the RMC Charter and Risk Management Framework to ensure that RMC members are aware of their roles and responsibilities.		CRO & RMC	Annually
	RMC accountability	17. RMC Key Performance Indicators (KPIs) to be developed by the RMC and approved by the AO.		RMC & AO	Annually
		18. RMC KPIs to be monitored and reported quarterly.		RMC & CRO	Quarterly
	Regular meetings	19. Risk Management Committee meetings to be held in terms of the Risk Management Committee Charter.  Alternatively, if a quarterly RMC meeting does not take place the RMC		RMC / RMC Chairperson / CRO	At least quarterly



Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
		members can address the risk related areas during the Audit Committee in the standing Risk Management agenda item.			
Audit Committee	Roles and responsibilities of the Audit Committee, relating to risk management, are understood by all members.	20. Formally define the responsibilities with respect to risk management in the Audit Committee Charter: <ul style="list-style-type: none"> <li>Review and amend annually or more frequently if required.</li> </ul>		Audit Committee / CAE	Annually / As required
	Combined Assurance efficiently and effectively performed.	21. Review and amend where necessary the Combined Assurance Policy.		CAE	Annually
		22. Combined Assurance Policy to be workshopped to Council.		CAE & Council	When required
		23. Combined Assurance Policy to be approved by Council.		CAE & Council	When required
		24. Co-ordination and monitor implementation of combined assurance.		Audit Committee / CAE	Quarterly
	Risk based Internal Audit Plan	25. Internal Audit plans to be aligned to the risk profile of the Municipality. Internal Audit must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals		Audit Committee / CAE	Annually / more often if required
	Oversight of Internal Audit in its responsibilities for risk management.	26. The Audit Committee to evaluate the effectiveness of Internal Audit in its responsibilities for risk management.		Audit Committee	Annually
	Monitoring and reporting to facilitate robust governance, risk management and compliance.	27. Review and recommend disclosures on matters of risk in the Annual Financial Statements.		Audit Committee	Annually
		28. Review and recommend disclosures on matters of risk and risk management in the Annual Report.		Audit Committee	Annually

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
	To provide an independent and objective view of risk management effectiveness.	29. Report to the Accounting Officer and Council, including: <ul style="list-style-type: none"> <li>The adequacy and effectiveness of risk management, including recommendations for improvement.</li> </ul>	Section 166 (2) of the MFMA states: <i>"An audit committee is an independent advisory body which must –</i> <i>(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 management staff of the municipal entity, on matters relating to -</i> <ul style="list-style-type: none"> <li><i>(ii) risk management."</i></li></ul>	Audit Committee	Regularly
		30. Obtain quarterly risk reports		Audit Committee / RMC / CRO	Quarterly
		31. Obtain annual risk reports		Audit Committee / RMC / CRO	Annually
		32. Review the legal compliance checklist and procedures related thereto.	<ul style="list-style-type: none"> <li>Include as an agenda item for the Audit Committee meetings.</li> <li>Obtain reports from Compliance Department.</li> </ul>	Compliance Department / CAE	Quarterly
		33. Review the Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP)	Audit Committee to consider including BCM as a standing Agenda Item.	Business Continuity Management Committee	Quarterly
		34. Audit Committee meetings (excluding special meetings) to include the following agenda items: (1) Risk Management. (2) Fraud prevention		Audit Committee Chairperson / CAE	Quarterly

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
EMT / Management and risk owners	Ensure accountability for designing, implementing, monitoring and integrating risk management into their daily activities.	35. Accountability for risks and associated mitigating controls to be included in all risk owners' performance contracts.		HR / AO	As required
		36. Directors to develop KPIs relating to risk management.	Refer to SDBIP	Directors	Annually
		37. Directors to report on achievement of KPIs relating to risk management.	Refer to SDBIP	Directors	Quarterly
Evaluation of the risk management process, including the extent and effectiveness of the Risk Management Framework	Performance audit report. Status reports on risk management implementation.	38. Monitor the performance of the CRO and risk management staff and take action to improve performance.		RMC	Annually
		39. Review and address the material findings and recommendations by assurance providers on risk management and monitor the implementation of such recommendations.		RMC	Quarterly
		40. Evaluate the effectiveness of the system of risk management and provide recommendations for improvement where necessary.		Internal Audit	As per Internal Audit Plan
		41. Evaluate the extent and effectiveness of integration of risk management within the municipality.		RMC	Annually
		42. Self-assessment to assess the effectiveness and implementation of the Risk Management Policy and Strategy and Implementation Plan		RMC	Annually
Assessment of controls: Adequate in design and implemented effectively	Combined assurance plan. Report on controls assessed.	43. Assign assurance providers to assess the controls of <b>residual</b> medium and low risks identified (i.e. good controls).		Internal Audit	As per Internal Audit Plan
		44. Results of Internal Audit testing to be updated in the Risk Register.		CRO	As required
Training and Support for the Risk Management Division	Risk Management Division to keep up to date with industry	45. Risk management officials to obtain membership with professional bodies (i.e. IRMSA; SAICA; IIA; etc)	<ul style="list-style-type: none"> <li>• AO to encourage membership of professional bodies</li> <li>• AO to recognize accomplishments of risk</li> </ul>	Risk management officials	Ongoing

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
	developments, and to continually upskill and advance the skills and expertise of the risk management officials.		management leadership in relevant professional bodies		
		46. Perform a skills gap analysis for the CRO		CRO	Annually
		47. Perform a skills gap analysis for all staff within the Risk Management Division		CRO / Risk Management officials	Annually
		48. Take appropriate action to address the needs identified from the skills gap analysis: (1) CRO (2) Risk Management officials		CRO / Risk Management officials	Ongoing
		49. Learn from other CROs and their organisations and integrate relevant thinking and practices within the risk management activity and the municipality. (1) Take part in CRO forums (district and provincial).		CRO	Ongoing
Training and Support for EMT, management and other officials	Equipped officials understanding and executing their risk management responsibilities effectively.	50. Develop and formalise a detailed training programme/ plan for all officials and any cost implications.	<ul style="list-style-type: none"> <li>RMC to oversee the implementation of risk awareness to all officials.</li> </ul>	CRO / EMT/ Management / Other officials / RMC	Ongoing
		51. Orientation and continuous training relating to risk management and fraud management for: (1) New municipal staff (2) Key officials (3) Other municipal staff (4) Stakeholders		CRO	Ongoing
		52. Perform a management survey in terms of the risk management process and act on the issues that come out of the management survey (i.e. training, awareness)		CRO	Annually

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
		53. Develop an awareness campaign for risk management and monitor and report on implementation status		CRO	Annually
		54. Monitor and report on implementation status on training plan		CRO	Quarterly
Training and Support for Risk Champions	Development of Risk Champions with the skills, knowledge, leadership qualities and power of office required to champion.	55. Develop and formalise detailed <b>training programme / plan</b> for Risk Champions and any cost implications.		CRO / Risk Champions	Annually
		56. Develop <b>risk management and fraud management orientation</b> for Risk Champions.		CRO / Risk Champions	As required
Training and support for oversight Committees and Council	Development Oversight Committees and Council with the skills, knowledge, leadership qualities to enable effective and efficient oversight of risk management.	57. Orientation and training for the Risk Management Committee		CRO	As required
		58. Orientation and training for the Audit Committee.		CRO	As required
		59. Orientation and training for the Council.		CRO	As required
Tools and Technology	Automated tool for capturing, storing, organising and interrogating data as well as communicating and tracking information.	60. Identify the most appropriate risk tools and techniques that can be used for capturing risk information and generating reports. E.g. Excel, ERA, Barnowl etc.		CRO	Annually
		61. Budget for the purchase of electronic risk management system which is capable of capturing, organising, storing, communicating, tracking and generating consolidated reports.		CRO / Budget Office	As required
		62. Ensure that Chief Risk Officer, Risk Management officials and Risk Champions are trained to operate the risk tools.		RMC	Annually

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
Risk Management Framework	Approved Risk Management Framework which clearly states the municipality's commitment to implementing risk management effectively and efficiently.	63. CRO to develop / review and amend the Risk Management Policy.	<ul style="list-style-type: none"> <li>Include the minimum content as detailed in the NT Risk Management Framework.</li> <li>Consider Audit Committee recommendations.</li> </ul>	CRO	Annually
		64. CRO to develop / review and amend the Risk Management Strategy and Implementation Plan including: <ul style="list-style-type: none"> <li>The Risk Identification and Assessment Methodology (which includes a rigorous and on-going process of risk identification that includes mechanisms to identify new and emerging risks timely);</li> <li>The Risk Appetite and Risk Tolerance; and</li> <li>Risk Classification.</li> </ul>	<ul style="list-style-type: none"> <li>Include recommended areas as per the best practice documents circulated.</li> <li>Include the version and date of revision and approval.</li> <li>Consider Audit Committee recommendations.</li> <li>Consider inputs from EMT.</li> </ul>	CRO	Annually
		65. EMT to review and provide inputs the Risk Management Strategy and Implementation Plan including: <ul style="list-style-type: none"> <li>The Risk Identification and Assessment Methodology (which includes a rigorous and on-going process of risk identification that includes mechanisms to identify new and emerging risks timely);</li> <li>The Risk Appetite and Risk Tolerance; and</li> <li>Risk Classification.</li> </ul>		EMT	Annually
		66. Audit Committee to review (and provide recommendations where necessary) on the following: <ol style="list-style-type: none"> <li>Risk Management Policy</li> <li>Risk Management Strategy and Implementation Plan</li> <li>Risk Identification and Assessment Methodology</li> </ol>		Audit Committee	Annually

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
		(4) Risk appetite and risk tolerance			
		67. Risk Management Committee to review and recommend for approval by the Accounting Officer: (1) Risk Management Policy (2) Risk Management Strategy and Implementation Plan (3) Risk Identification and Assessment Methodology (4) Risk appetite and risk tolerance		Risk Management Committee	Annually
		68. Accounting Officer to review and approve, before submission to Council for approval: (1) Risk Management Policy (2) Risk Management Strategy and Implementation Plan. (3) Risk Identification and Assessment Methodology (4) Risk appetite and risk tolerance	Key responsibilities for risk management detailed in the Risk Management Framework	Accounting Officer	Annually
		69. Risk Management Framework (Risk Management Policy and the Risk Management Strategy and Implementation Plan) to be workshopped to Council	Workshop to include: • Risk Management Policy • Risk Management Strategy and Implementation Plan • Fraud Prevention Framework	CRO & Council	Annually
		70. Council to approve the Risk Management Framework including:  (1) Risk Management Policy (2) Risk Management Strategy and Implementation Plan (3) Risk appetite and risk tolerance levels	Submit an Item to Council	CRO & Council	Annually
Anti-fraud and Anti-corruption Framework (Policy, Strategy and	Approved the Policy which clearly states the municipality's	71. CRO to develop / review and amend the Anti-fraud and Anti-corruption Policy, Strategy and Implementation Plan.	<ul style="list-style-type: none"> <li>• Include the version and date of revision and approval.</li> <li>• Consider Audit Committee recommendations.</li> </ul>	CRO	Annually



Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
Implementation Plan)	commitment to preventing fraud and corruption.	72. Audit Committee to review (and provide recommendations where necessary) on the Anti-fraud and Anti-corruption Policy, Strategy and Implementation Plan.		Audit Committee	Annually
		73. Risk Management Committee to review and recommend for approval by the Accounting Officer		RMC	Annually
		74. Accounting Officer to review and approve the Anti-fraud and Anti-corruption Policy, Strategy and Implementation Plan before submission to Council for approval.		Accounting Officer	Annually
		75. Anti-fraud and Anti-corruption Policy, Strategy and Implementation Plan to be workshopped to Council.		CRO & Council	Annually
		76. Council to approve the Anti-fraud and Anti-corruption Policy, Strategy and Implementation plan.	Submit an Item to Council	CRO & Council	Annually
Reports to Council by the RMC	Oversight by Council	77. Annual Risk Management Report to Council		RMC / CRO	Annually
		78. Quarterly Risk Management Report to Council		RMC / CRO	Quarterly
Reports to AO by the RMC	Oversight by the AO	79. Annual Risk Management Report to the Municipal Manager		RMC / CRO	Annually
		80. Quarterly Risk Management Report to the Municipal Manager		RMC / CRO	Quarterly
Reports to the Audit Committee by the RMC	Oversight by the RMC	81. Annual Risk Management Report to the Audit Committee		RMC / CRO	Annually
		82. Quarterly Risk Management Report to the Audit Committee		RMC / CRO	Quarterly
Reports to EMT / Management / Risk Owners	Enable monitoring and decision making	83. Quarterly Risk Management Report to Management		CRO	Quarterly
		84. Ad-hoc risk management reports (1) Key strategic and operational issues to management and other		CRO	As required

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
		key stakeholders and make recommendations			
Reports to RMC by the CRO	Oversight by the RMC	85. Annual Risk Management report to the RMC		CRO	Annually
		86. Quarterly Risk Management reports to the RMC		CRO	Quarterly
Business Continuity Management (BCM)	Oversight of BCM	87. BCM Assessment Report: <ul style="list-style-type: none"> <li>Perform an assessment on the current status of Business Continuity Management and provide recommendations to address deficiencies.</li> <li>Consider Provincial Treasury's and National Treasury's best practice guidance.</li> <li>Consideration of establishment of a BCM Committee.</li> </ul>		CRO	30 June 2020
		88. Monitor and report on the implementation of recommendations arising from the BCM Assessment Report.		CRO	Monthly
		89. Assess potential crisis that might affect the municipality (BCM)		RMC	Annually
		90. Assess controls implemented for the risk		RMC	Annually
		91. Assess the BCP and DRP		RMC	Annually
Risk Universe	To obtain an accurate representation of the municipality's strategic and operating environments.	92. Develop / review and amend the risk universe		CRO / EMT / management	Annually

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
Effective Communication of the Risk Management Framework	Creating risk awareness within the municipality	93. Develop a plan to drive communication of risk management to officials and stakeholders, including: (1) Risk Management Framework. (2) Risk management function. (3) Changes to the risk management framework.	Consider: <ul style="list-style-type: none"> <li>• staff orientations</li> <li>• workshops</li> <li>• keeping the intranet updated</li> <li>• media including posters, pamphlets, awareness programs etc.</li> </ul> Plan to communicate to: 1. All officials. 2. Newly appointed officials. 3. Council. 4. Risk Management Committee. 5. Audit Committee.	CRO	Annually
		94. Monitor and report on the implementation status of the plan.		CRO	Quarterly
		95. Provide each department head with a copy of the approved Risk Management Policy, Strategy and Implementation Plan, ensuring that they acknowledge receipt.		CRO	Annually
		96. Place approved Risk Management Policy on the municipality's website.		CRO	Annually
Effective Communication of the Anti-fraud and Anti-corruption Framework.	Creating fraud awareness within the municipality.	97. Develop a plan to drive communication of fraud management to officials and stakeholders, including: (1) Anti-fraud and Anti-corruption Framework (2) Changes to the Anti-fraud and Anti-corruption framework.	Consider: <ul style="list-style-type: none"> <li>• staff orientations</li> <li>• workshops</li> <li>• keeping the intranet updated</li> <li>• media including posters, pamphlets, awareness programs etc.</li> </ul> Plan to communicate to: 1. <b>Audit Committee</b> 2. All officials. 3. Newly appointed officials.	CRO	Annually

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
			4. Council. 5. Risk Management Committee.		
		98. Provide each department head with a copy of the approved Anti-fraud and Anti-corruption Policy, ensuring that they acknowledge receipt of the policy.		CRO	Annually
		99. Place approved Fraud Prevention Policy on the municipality's website.		CRO	Annually
Setting Municipal Objectives	Ability to identify potential risk that could impact the achievement of objectives.	100. Establish objectives that are consistent with the Municipality's Constitutional mandate and direction given from Council.	Refer to Quarterly Risk Reports and Risk Registers	AO & EMT	Within timeframes of IDP
Risk identification strategy and embedding risk management throughout the municipality	Ensure that Risk Management is embraced in all major functions rather than selected areas	101. Risk identification template: draft and issue throughout the municipality.		CRO	Ongoing
	Maintain a co-operative relationship with the Risk Management Division and Risk Champions.	102. Risk Management standing agenda item in all Monthly Management Directorate Meetings.	<ul style="list-style-type: none"> <li>Facilitate embedding of risk management.</li> <li>Facilitate risk identification.</li> </ul>	EMT / CRO	Monthly
		103. CRO and / or Risk Champions to be a standing invitee in all Monthly Management Directorate Meetings.	<ul style="list-style-type: none"> <li>Unfettered access to management and management platforms.</li> </ul>	EMT / CRO	Ongoing
		104. Implement the Directives of the Accounting Officer concerning risk management.		EMT / AO	Ongoing
Strategic risk assessment	Ability to identify potential risk that could impact the achievement of objectives.	105. Arrange a strategic risk assessment workshop and invite all the relevant officials.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		106. Gather the necessary information in order to assist facilitation sessions.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly

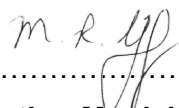
Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
	Approved strategic risk register.	107. Facilitate the strategic risk identification.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		108. Prompt risk owners for emerging risks for inclusion in the risk register.	Refer to Quarterly Risk Reports and Risk Registers	CRO & Risk Champions & Risk Co-ordinators	Ongoing
		109. Facilitate the strategic risk assessment session (Rating risk inherently).	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		110. Facilitate the strategic risk assessment session (Rating risk on a residual level).	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		111. Determine risk responses and allocate risk owners.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		112. Analyse information and develop risk assessment reports.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
Enterprise-wide operational risk assessments	Ability to prioritise high risk areas. Approved and updated functional	113. Arrange a risk assessment workshop and invite all the relevant officials.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		114. Gather the necessary information.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		115. Facilitate the operational risk identification.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		116. Prompt risk owners for emerging risks for inclusion in the risk register.	Refer to Quarterly Risk Reports and Risk Registers	CRO & Risk Champions & Risk Co-ordinators	Ongoing
	Risk registers (as per the agreed cycle)	117. Facilitate the operational risk assessment session (Rating risk inherently).	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		118. Facilitate the operational risk assessment session (Rating risk on a residual level).	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		119. Analyse information and develop risk assessment reports.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly

Risk Management Implementation Plan					
Planned Action	Output	Detailed Action	Additional comments	Responsible Person(s)	Due Date
		120. Facilitate the operation risk identification and assessment sessions on a residual level.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		121. Determine risk responses and allocate risk owners.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
		122. Analyse information and develop risk assessment reports.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
Development of risk response strategies	Action plans implemented per agreed milestone	123. Drafting action plans for all gaps identified in addressing the top risks.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
Effective Reporting	Approved progress reports: present progress reports to various stakeholders at various intervals.	124. Implement appropriate risk reporting to the Accounting Officer, Executive Authority, Audit Committee, RMC and Senior Management.	Refer to Quarterly Risk Reports and Risk Registers	EMT & CRO	Quarterly
Strategic and Operational Risk Registers and risk reports	Effective and efficient reporting of risk registers and reports to the CRO from the Directorates	125. Risk Champions to finalise risk registers after all risk owners have completed their risk assessments.	Refer to Quarterly Risk Reports and Risk Registers	Risk Champions	Quarterly
		126. Risk Champions to facilitate Directors with drafting risk reports.	Refer to Quarterly Risk Reports and Risk Registers	Risk Champions	Quarterly
		127. Directors to review and approve risk registers.	Directors take responsibility of the strategic and operational risk registers for their Directorates.	Directors	Quarterly
		128. Risk Champions to submit risk management reports to the CRO: (1) Risk registers (2) Risk reports which are approved (3) Changes to risk registers (regularly)		Risk Champions	Quarterly
		129. Discuss the risk registers with their relevant Portfolio Committee member.		Director	Quarterly

## APPROVAL

As approved by Council at the Ordinary Council Meeting which was held on 29 June 2021.

Signed at GEORGE on the 8TH day of SEPTEMBER **2021.**



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**Acting Municipal Manager: Dr M Gratz**