



**THEEWATERSKLOOF
MUNICIPALITY**

RISK MANAGEMENT POLICY

2024-2025

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1. RISK MANAGEMENT PHILOSOPHY

Theewaterskloof Municipality is committed to the optimal management of risks to protect our core public service values, achieve our vision, objectives and deliver on our core business.

While our day-to-day business operations, we are exposed to a variety of risks. These risks include operational and other risks that are material and require comprehensive controls and on-going oversight.

To ensure business success we have adopted an enterprise-wide integrated approach to the management of risks. By embedding the risk management process into key business processes such as planning, operations, and new projects, we will be better equipped to identify events affecting our objectives and to manage risks in ways that are consistent with the approved risk appetite.

To further implement this approach, all roles' players involved in the risk management process were identified and their responsibilities clearly documented to enforce a culture of disciplined risk-taking.

Municipal Council is responsible for oversight of the risk management process and has delegated its day-to-day implementation to the Accounting Officer. Municipal Council intends and expects risk to be managed and accordingly ensures that such a required standard is known and set for the organization. Municipal Council has therefore delegated this responsibility to the Municipal Manager (MM) and the Fraud and Risk Management Committee (FARMCO).

The Municipal Manager, who is ultimately responsible for the municipality's risks, has delegated this role to the Chief Risk Officer (CRO) and Management. The CRO will ensure that the framework is implemented and that Municipal Council, the Fraud and Risk Management Committee, the Audit Committee (AC) and the Municipal Manager receive appropriate reporting on the municipality's risk profile and risk management process. Management will execute their responsibilities outlined in the Risk Management Strategy and Implementation Plan.

All other officials are responsible for incorporating risk management into their day-to-day operations.

Entrenching Enterprise Risk Management (ERM) into the municipality is only but one component of governance, but together we will ensure that appropriate focus is placed on important tasks and key risks.

Through this policy, the Municipal Manager puts into practice his commitment to implement and maintain an effective, efficient, and transparent system of risk management. This policy forms the basis for the accompanying Risk Management Strategy and Process Plan which is designed to help achieve the objective of maintaining an effective ERM process and embedding a culture of risk management within the municipality.

2. ACRONYMS

MM	- Municipal Manager
CRO	- Chief Risk Officer
ERM	- Enterprise Risk Management
IDP	- Integrated Development Plan
ICT	- Information and Communication Technology
MFMA	- Municipal Finance Management Act, no 56 of 2003
FARMCO	- Fraud and Risk Management Committee
SDBIP	- Service Delivery and Budget Implementation Plan

3. DEFINITIONS

In this document, unless the context indicates otherwise –

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

Event – An incident or occurrence from internal and external sources that affects the achievement of the municipality’s objectives.

Impact – A result or effect of an event. The impact of an event can be positive or negative. A negative event is termed a “risk”.

Incident – A risk that has actualised.

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

Likelihood / Probability – The probability of the event occurring.

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

Operations – Used with “objectives”, having to do with the effectiveness and efficiency of the municipality’s activities, including performance and safeguarding resources against loss.

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

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

Reputational Risk – A type of risk related to the trustworthiness of an entity. Damage to the entity’s reputation can result in lost revenue or destruction of value, even if the entity is not found guilty of a crime. Reputational risk can be a matter of corporate trust but serves also as a tool in crisis prevention.

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

Risk – An unwanted outcome, actual or potential, to the municipality’s service delivery and other performance objectives, caused by the presence of risk factors. Some risk factors also present upside potential, which management must be aware of and be prepared to exploit. This definition of “risk” also encompasses such opportunities.

Risk Appetite – The amount of residual risk that the municipality is willing to accept.

Risk Factor – Any threat or event which creates or has the potential to create a risk.

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

Risk Owner – The person responsible for managing a risk.

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

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

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

Risk response – Management develops strategies to reduce or eliminate the threats and events that create risks.

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

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

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

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

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

4. OVERVIEW

4.1 INTRODUCTION

The Accounting Officer has committed Theewaterskloof Municipality to implementing and maintaining an effective, efficient, and transparent system of risk management. The process of risk management is aligned to the principles as set out in the King IV Report on Corporate Governance for South Africa 2016 (herein referred to as "King IV Report") and as supported by the Municipal Finance Management Act (MFMA), Act no 56 of 2003.

4.2 PURPOSE

Through this policy Theewaterskloof Municipality puts into practice its commitment to implement risk management and embed a culture of risk management within the municipality. This policy forms the basis for the accompanying Risk Management Strategy which is designed to help achieve the objective of implementing an effective Enterprise Risk Management (ERM) process.

4.3 SCOPE OF THE POLICY

This is an enterprise-wide policy. It applies throughout Theewaterskloof Municipality as far as risk management is concerned as all personnel within the municipality have a role to play in the identification and management of risk. Sound risk management principles must become part of routine management activity across the municipality. The key objective of this policy is to ensure the municipality has a consistent basis for measuring, controlling, monitoring and reporting risk across the municipality at all levels.

4.4 BACKGROUND

4.4.1 Legislative Mandate

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

"The accounting officer of the municipality and municipal entity is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient, and transparent systems of financial and risk management and internal control."

4.4.2 Legislative Compliance

This policy is aligned to the principles set out in the National Treasury Public Sector Risk Management Framework, published on 1 April 2010 and to some extent King IV & the Batho Pele principles. This policy is also guided and informed by the COSO Enterprise Risk Management – Integrated Framework of 2004 and the ISO 31000 - Risk Management standards. This policy is also supported by the MFMA, Act no. 56 of 2003.

4.4.3 Objectives of Risk Management

The objective of risk management is to assist management in making more informed decisions which:

- provide a level of assurance that current significant risks are effectively managed;
- improve operational performance by assisting and improving decision making and planning;
- promote a more innovative, less risk averse culture in which the taking of calculated risks in pursuit of opportunities, to benefit the municipality is encouraged; and
- provide a sound basis for integrated risk management and internal control as components of good corporate governance.

4.4.4 Benefits of Risk Management

The risk management process can make major contributions towards helping the municipality achieve its objectives. The benefits include:

- more sustainable and reliable delivery of services.
- enhance decision-making underpinned by appropriate rigor and analysis;
- reduce fruitless and wasteful expenditure;
- prevention of fraud and corruption;
- assist avoid damage to the municipality's reputation and image;
- fewer surprises and crises by placing management in a position to effectively deal with potential new and emerging risks that may create uncertainty;
- helps ensure effective reporting and compliance with laws and regulations;
- better value for money through more effective, efficient, and economical use of scarce resources; and
- better outputs and outcomes through improved project and programme management

4.4.5 Risk, Risk Management and Enterprise Risk Management

Risk is an uncertain future event that could influence the achievement of the municipality's strategic and business objectives.

Risk Management is a systematic and formalized process instituted by the municipality to identify, assess, manage, monitor, and report risks ensuring the achievement of the municipality's objectives.

Enterprise Risk Management is a process, effected by the municipality's Accounting Officer, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the municipality, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of the municipality's objectives.

ERM is applied throughout the municipality rather than only in selected business areas or disciplines and needs to be managed in a comprehensive and integrated way. ERM recognises that risks (including opportunities) are dynamic, often highly interdependent and ought to be considered and managed and not dealt with in isolation.

4.4.6 Risk Management Approach

The risk management approach determines the processes (Section 6), techniques (refer to detailed techniques in Section 6), tools, and roles and responsibilities (refer to Section 5).

The Municipality considers and uses the most suitable risk management approach depending on the needs of the stakeholders. The most common approach is to manage individual risks recorded and assessed in a risk register. This approach is relatively simple and value-adding when implemented competently. Other approaches may be implemented depending on *inter alia* the objectives and scope of the project, decisions required, resource availability and the stakeholders' requirements.

The techniques and tools must contribute to the efficiencies and effectiveness of risk management on a cost-benefit basis. Various risk management tools include consideration of, for example electronic risk management systems or MS Excel-based risk management toolkits.

5. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the role players in the risk management process are defined in detail in the Risk Management Strategy:

5.1 Risk Management Oversight

5.1.1 Executive Authority (Municipal Council)

Municipal Council is responsible for the governance of risk. Municipal Council takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect Theewaterskloof Municipality against significant & significant emerging risks.

Municipal Council has to report to the community, on the municipality's system of internal control. This provides comfort that the municipality is protected against significant risks to ensure the achievement of objectives as detailed in the Service Delivery and Budget Implementation Plan (SDBIP).

5.1.2 Performance – and Audit Committee (PAC)

The PAC is an independent committee, responsible to oversee the municipality's control, governance, and risk management. This committee is vital to, among other things, ensure that financial, ICT and fraud risk related to financial reporting are identified and managed.

The PACs primary responsibility is providing an independent and objective view of the effectiveness of the municipality's risk management process to Municipal Council and to provide recommendations to the MM for continuous improvement and management of risks. The responsibilities of the PAC about risk management are formally defined in its charter.

5.1.3 Fraud and Risk Management Committee (FARMCO)

The FARMCO is appointed by the Accounting Officer to assist in the discharge of his/her risk management responsibilities.

The FARMCO's role is to review the risk management progress and maturity of the municipality, the effectiveness of risk management activities, the key risks facing the municipality and the responses to address these key risks.

The responsibilities of the **FARMCO** are formally defined in its charter.

5.2 RISK MANAGEMENT IMPLEMENTERS

5.2.1 Accounting Officer

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

5.2.2 Management

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

5.2.3 Other officials

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

5.3 RISK MANAGEMENT SUPPORT

5.3.1 Chief Risk Officer

The Chief Risk Officer (CRO) is the custodian of the Risk Management Strategy and the coordinator of ERM activities throughout Theewaterskloof municipality. The primary responsibility of the CRO is to use his/her specialist expertise to assist the municipality embed ERM and leverage its benefits to enhance performance.

5.3.2 Middle Management Risk Champions and Risk Co-ordinators

Risk Champions generally hold senior positions within the municipality and possess skills, knowledge and leadership qualities required to champion a particular aspect of risk management. The Risk Champions' primary responsibility is to advise on, formulating, overseeing, and managing all aspects of a municipality's risk management system. The Risk Champions monitor the municipality's risk profile. Ensuring that major risks are identified and reported upwards.

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

5.4 RISK MANAGEMENT ASSURANCE PROVIDERS

5.4.1 Internal Audit

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

5.4.2 External Audit

External Audit (Auditor-General) provides an independent opinion on the effectiveness of Risk Management.

6. ENTERPRISE RISK MANAGEMENT PROCESS

To fulfil its philosophy and implement an enterprise-wide integrated approach, Theewaterskloof Municipality will ensure that the eight (8) components of the ERM process are implemented and operating effectively, efficiently, and economically (*Refer to figure 1*). These components of the ERM process are discussed in further detail in the Risk Management Strategy and Process Plan.



Figure 1: Enterprise Risk Management Process

6.1 Internal Environment

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

6.2 Objective Setting

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

6.3 Event Identification

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

6.4 Risk Assessment

Risk assessments allow the municipality to consider the extent to which potential events might have an impact on the achievement of objectives. Management should assess events from two perspectives impact and likelihood to determine their risk score or severity rating and normally uses the quantitative method i.e risk rating scales for both the inherent and residual basis.

Risk Assessments are performed through a three-stage process:

Firstly, **inherent risk** should be assessed.

Inherent risk assessment refers to assessing the impact & likelihood of the risk without any controls in place to mitigate the risk.

Secondly, **residual risk** should be assessed;

After the inherent risk has been determined, control measures aimed at mitigating the impact and likelihood of the risk are implemented and assessed, the result reflects the residual risk rating.

A control is an activity that prevents or detects errors / loopholes in order to mitigate risks.

Thirdly, the **residual risk** should be benchmarked against the risk appetite to determine the need for further intervention.

Where the residual risk rating is equal or higher than the risk appetite action / treatment plans need to be developed to mitigate the risk to an acceptable level.

Where the residual risk rating is higher than the risk appetite the risk tolerance level must be established for the particular risk in order to monitor the emerging factor relating to the risk and to ensure the risk is sufficiently mitigated to remain within the acceptable levels.

Risk Analysis

Risk Identification

Risk identification is a deliberate and systematic effort to identify and document the Institution's key risks. The objective of risk identification is to understand what is at risk within the context of the Institution's explicit and implicit objectives and to generate a comprehensive inventory of risks based on the threats and events that might prevent, degrade, delay or enhance the achievement of the objectives.

The risk identification process should cover all risks, regardless of whether or not such risks are within the direct control of the Institution.

Risk identification should be inclusive, not overly rely on the inputs of a few senior officials and should also draw as much as possible on unbiased independent sources, including the perspectives of important stakeholders.

Risk workshops and interviews are useful for identifying, filtering, and screening risks but it is important that these judgement-based techniques be supplemented by more robust and sophisticated methods where possible, including quantitative techniques. The Municipality should adopt a rigorous and ongoing process of risk identification that also includes mechanisms to identify new, incident, and emerging risks timeously.

Strategic risk identification to identify risks emanating from the strategic choices made by the Institution, specifically with regards to whether such choices weaken or strengthen the Institution's ability to execute its Constitutional mandate:

(i) Strategic risk identification should precede the finalisation of strategic choices to ensure that potential risk issues are factored into the decision-making process for selecting the strategic options;

(ii) Risks inherent to the selected strategic choices should be documented, assessed, and managed through the normal functioning of the system of risk management; and

(iii) Strategic risks should be formally reviewed concurrently with changes in strategy, or at least once a year to consider new, incident and emerging risks.

(b) Operational risk identification to identify risks concerned with the Institution's operations:

(i) Operational risk identification should seek to establish vulnerabilities introduced by employees, internal processes and systems, contractors, regulatory authorities and external events;

(ii) Operational risk identification should be an embedded continuous process to identify new and emerging risks and consider shifts in known risks through mechanisms such as management and committee meetings, environmental scanning, process reviews and the like; and

(iii) To the extent that 15(1)(b)(ii) is deemed inadequate to expose the full extent of risk introduced by significant environmental or Institutional changes, operational risk identification

should be repeated when changes occur, or at least once a year, to identify new, incident and emerging risks.

(c) Project risk identification to identify risks inherent to particular projects:

(i) Project risks should be identified for all major projects, covering the whole lifecycle; and

(ii) For long term projects, the project risk register should be reviewed at least once a year to identify new, incident and emerging risks.

Risk Category

The Municipality has changed from a manual risk register to using a service provider's online program to capture their risks. The risk category is made up of two components, internal and external.

Internal factors are something from inside the municipality that is causing the risk while external factors means that it is something outside the municipality that is causing the risk.

These two categories are then further split up into the following:

1. Litigation	Risks that the Municipality might suffer losses due to litigation and lawsuits against it. Losses from litigation can possibly emanate from: - Claims by employees, the public, service providers and other third parties; - Failure by the Municipality to exercise certain level of compliance to legislative requirements.	Internal
2. Material Resources	Risks relating to the Municipality's material resources. Possible aspects to consider include: - Availability of material; - Costs and means of acquiring resources; - The wastage of material resources.	Internal
3. Service Delivery	Every institution exists to provide value for its stakeholders. The risk will arise if the appropriate quality of service is not delivered to the citizens.	Internal
4. Information and Communication Technology	Risks related to the Municipality's ICT infrastructure, including hardware, software and the processes involved with the use of ICT.	Internal
5. 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 a likelihood that a service provider might not perform according to the service level agreement entered into with the Municipality.	Internal
6. Economic	Risks related to the Municipality's economic environment.	External

Environment	Factors to consider include: - Inflation - Foreign exchange fluctuations - Interest rates	
7. 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: - Political unrest - Local, Provincial and National Elections - Changes in office bearers, etc.	External/ Internal
8. Social Environment	Risks related to the Municipality's social environment. Possible factors to consider include: - Unemployment - Migration of workers	External
9. Natural Environment	Risks relating to the Municipality's natural environment and its impact on normal operations. Consider factors such as: - Depletion of natural resources - Environmental degradation - Spillage - Pollution Disease	External
10. Compliance	Risks related to compliance with legislative requirements such as the Constitution, Municipal Structures Act, Municipal Systems Act, Municipal Finance Management Act, related regulations, Municipal Council By-Laws, etc.	Internal
11. Human Resources	Risks that relate to human resources of the Municipality. These risks can have an effect on human capital regarding: - Ethics - Recruitment - Skills & competence - Employee wellness - Employee relations - Retention - Occupational health & safety	Internal
12. 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: - Availability of information - Stability of the information - Integrity of information data - Relevance of the information - Retention	Internal

	- Safeguarding	
13. Loss / Theft of Assets	Risks that the Municipality might suffer losses due to either theft or loss of an asset of the Municipality. The risk refers to the general meaning of asset and includes small assets accounted for as expenditure.	Internal
14. Occupational Health and Safety	Risks from occupational health and safety issues e.g. injury on duty; outbreak of disease within the Municipality.	Internal
15. Fraud and Corruption	These risks relate to illegal or improper acts by employees resulting in a loss of the Municipality's assets or resources.	Internal
16. Financial Environment	Risks encompassing the entire scope of general financial management. Potential factors to consider include: <ul style="list-style-type: none"> - Cash flow adequacy and management thereof. - Financial losses - Unauthorised Irregular and Fruitless expenditure - Budget allocations - Financial statement integrity - Revenue collection - Increasing operational expenditure. 	Internal
17. Reputational Risks	Factors that could result in the tarnishing of the Municipality's reputation, public perception, and image.	Internal
18. Technological Environment	Risks emanating from the effects of advancements and changes in technology.	External
19. Cultural Environment	Risks arising from the cultural diversity of the citizens within the Municipality's boundaries, their values and beliefs and their attitude towards authority.	External
20. Interdepartmental and interrelated functions	Risks arising from the interrelatedness and interdependence of the Municipality's directorates / departments on each other to seamlessly perform their functions and meet their objectives. Factors to consider include: <ul style="list-style-type: none"> - Lack of co-operation - Shifting of responsibilities - Directorate / Departmental decisions negatively impact on another directorate / department. - Inadequate / Unclear communication between directorates 	Internal

	- Friction between directorates / departments	
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Risk Estimation (Rating scales)

The municipality's rating scales are as follows:

Potential Loss/ Impact

Rating	Severity Ranking	Assessment
5	Critical	Negative outcomes or missed opportunities that are critical importance to the achievement of objectives.
4	Major	Negative outcomes or missed opportunities that are likely to have relatively substantial impact on the ability to meet objectives.
3	Moderate	Negative outcomes or missed opportunities that are likely to have relatively moderate impact on the ability to meet objectives.
2	Minor	Negative outcomes or missed opportunities that are likely to have relatively low impact on the ability to meet objectives.
1	Insignificant	Negative outcomes or missed opportunities that are likely to have relatively negligible impact on the ability to meet objectives.

LIKELIHOOD

Factor	Likelihood category	Category definition
5	Common	The risk is already occurring, or is likely to occur more than once within the next 12 months
4	Likely	The risk could easily occur, and is likely to occur at least once within the next 12 months
3	Moderate	There is an above average chance that the risk will occur at least once in the next three years
2	Unlikely	The risk occurs infrequently and is unlikely to occur within the next three years
1	Rare	The risk is conceivable but is only likely to occur in extreme circumstances.

PERCEIVED CONTROL EFFECTIVENESS

Factor	Assessment	Definition
20%	Very good	Risk exposure is effectively controlled and managed
40%	Good	Majority of risk exposure is effectively controlled and managed
65%	Satisfactory	There is room for some improvement.
80%	Weak	Some of the risk exposure appears to be controlled, but there are major deficiencies.
90%	Unsatisfactory	Control measures are ineffective

Inherent risk exposure

Inherent risk exposure	Factor
Maximum	³ 20
High	³ 15 < 20
Medium	³ 10 < 15
Low	³ 5 < 10
Minimum	< 5

Residual risk exposure

Residual risk exposure	Factor
Maximum	³ 10
High	³ 7.5 < 10
Medium	³ 5 < 7.5
Low	³ 2.5 < 5

Risk Appetite

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

The Municipality has set its risk appetite level at 7.5 as determined through a district benchmark initiative and will remain 7.5 throughout the financial year

The Municipality's risk appetite will be reassessed on a yearly basis, based on the annual risk assessment exercise results, and adjusted if required. The ultimate goal is to reduce the risk level of the Municipality to acceptable levels.

The municipality has committed itself to aggressively pursue managing risks to be within its risk appetite to avoid exposures to losses and to manage actions that could have a negative impact on the reputation of the municipality.

Risk Tolerance

The tolerance levels in terms of Fraud & Corruption related risks will however remain at zero.

6.5 Risk Response

Risk response is concerned with developing strategies to reduce or eliminate the threats and events that create risks.

Risk response should also make provision for the exploitation of opportunities to improve the performance of the Institution.

Responding to risk involves identifying and evaluating the range of possible options to mitigate risks and implementing the chosen option.

Management should develop response strategies for all material risks, whether or not the management thereof is within the direct control of the Institution, prioritising the risks exceeding or nearing the risk appetite level.

Where the management of the risk is within the control of the Institution, the response strategies should consider:

(a) avoiding the risk by, for example, choosing a different strategy or terminating the activity that produces the risk;

(b) treating the risk by, for example, implementing or improving the internal control system;

(c) transferring the risk to another party more competent to manage it by, for example, contracting out services, establishing strategic partnerships and buying insurance;

(d) accepting the risk where cost and strategy considerations rule out alternative strategies; and

(e) exploiting the risk factors by implementing strategies to take advantage of the opportunities presented by such risk factors.

In instances where the management of risk is not within the control of the Institution, the response strategies should consider measures such as forward planning and lobbying.

Response strategies should be documented, and the responsibilities and timelines attached thereto should be communicated to the relevant persons.

6.6 Control Activities

Control activities are the policies and procedures that help ensure that management's risk responses are carried out. Control activities occur throughout the municipality, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Types of Control Activities

Many different descriptions of types of control activities have been put forth. Internal Controls can be preventative, detective or corrective by nature.

Preventative Controls are designed to keep errors or irregularities from occurring in the first place.

Detective Controls are designed to detect errors or irregularities that may have occurred.

Corrective Controls are designed to correct errors or irregularities that have been detected.

6.7 Information and Communication

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

6.8 Monitoring

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

Risk Universe

Many risks are universal, affecting other institutions as well. The universal nature of these risks can enable the Municipality to compare its risk register with the risk registers of other institutions to identify risks that may have been missed in the initial risk assessment and learn more about the mitigation strategies of others, to incorporate it into the risk management of the Municipality.

Theewaterskloof Municipality's risk register is compared with the annual IRMSA Risk Report: South Africa Risks and the risk registers of the other four municipalities that are part of the district.

Integration of Risk Management Plans/Policies

There are many separate plans and policies available that individually deal with fraud, ICT, occupational health and safety, disaster management and compliance. These plans and policies contain risk information and risk mitigation plans.

All the different risk information and mitigation plans should be integrated into a single risk register, to provide a detailed and complete profile of the Municipality's.

7. Combined Assurance

Combined assurance will optimise and maximise the level of risk, governance and control oversight over the Municipality's risk landscape, by integrating, coordinating and aligning the risk management and assurance processes within the Municipality.

A Combined Assurance Model for the top 20 risks will be created and updated quarterly to ensure the Municipality's most significant risks receive adequate assurance.

The combined assurance activities of the Municipality will be conducted in accordance with the Combined Assurance Policy Framework.

8. Business Continuity

Business continuity is an integral part of risk management. In the event of extended service outages caused by factors beyond the Municipality's control, the Municipality must be able to restore services to the widest extent possible in a minimum timeframe.

A Business Continuity Framework is in place to direct business continuity activities and a Business Continuity Committee has been established to oversee the execution of those activities.

9. Enterprise Risk Management Maturity

The ERM maturity of the Municipality is assessed on a yearly basis by the Chief Risk Officer, reviewed by the Fraud and Risk Management Committee and monitored by the Performance and Audit Committee.

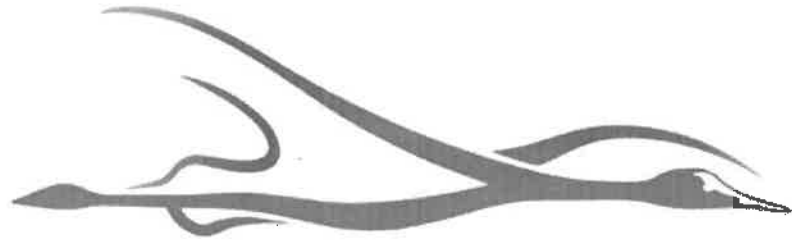
The assessment is used in the development of the risk management implementation plan for the next financial year to include initiatives to address the shortcomings identified in the assessment and increase the ERM maturity of the Municipality.

9. POLICY REVIEW

The content of the Risk Management Policy will be reviewed annually to reflect the current stance on risk management within Theewaterskloof Municipality. The Risk Management Policy must be approved by Municipal Council on an annual basis.

10. VERSION

Revised and amendments approved by Council	
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THEEWATERSKLOOF MUNICIPALITY

RISK MANAGEMENT STRATEGY

2024 - 2025

1. OVERVIEW

1.1 INTRODUCTION

Theewaterskloof 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 Operational Plan 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 FINANCE 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.

OTHER LEGISLATIONS

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.

4. ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) is the application of risk management throughout the municipality, rather than only in selected business areas or disciplines. ERM recognizes that risks (including opportunities) are dynamic, often highly interdependent and ought not to be considered and managed in isolation. ERM responds to this challenge by providing a methodology for managing enterprise-wide risks in a comprehensive and integrated way.

The Enterprise Risk Management (ERM) process can make major contributions towards helping the Municipality achieve its objectives. The ERM processes, which focus on the organisational goals, objectives and strategy, are clinical in nature. The ERM process is as follows:

- Identification or establishment of organisational objectives;
- Determination of risk tolerance and risk appetite;
- Risk identification, assessment (analysis, measurement) and prioritisation;
- Identification and design of risk mitigation strategies and responses, as well as capabilities
- Implementation of risk mitigation strategies and action plans;
- Measure the risk exposure, monitor and communicate results;
Integrate results with decision making processes.

5. ACCOUNTABILITY, ROLES AND RESPONSIBILITIES

Municipal Council

Legal Mandate and Frameworks:

The following legislative instruments provide the legal foundation for the Municipal Council's responsibility for risk management:

- **Section 44(2) of the Local Government: Municipal Structures Act (No. 117 of 1998)**
- **Section 52(b), (e) and 58 of the Local Government: Municipal Finance Management Act (No. 56 of 2003)**

The following frameworks provide the recommended practice guidelines for the Municipal Council regarding risk management:

- **Chapter 10 of the Public Sector Risk Management Framework**

Role and Responsibilities:

As risk management is an important tool to support the achievement of the Municipality's goals, it is important that the Municipal Council provides leadership to governance and risk management. To derive optimal benefits, risk management ought to be conducted in a systematic manner, using proven methodologies, tools and techniques, while considering the unique circumstances of the Municipality.

High level responsibilities of the Municipal Council in risk management include:

- Providing oversight and direction to the Municipal Manager on the risk management related strategy and policies;

- Approve the risk management policy, strategy and implementation plan;
- Approve the anti-corruption and fraud prevention policy, strategy and plan;
- Approve the business continuity framework;
- Approve the code of ethics;
- Approve the combined assurance policy framework;
- Having knowledge of the extent to which the Municipal Manager, Directors and management have established effective risk management in their respective departments;
- Reviewing the Municipality's portfolio view of risks and consider it against the Municipality's risk tolerance and risk appetite;
- Influencing how strategy and objectives are established, institutional activities are structured, and risks are identified, assessed and acted upon;
- Requiring that management should have an established set of values by which every employee should abide by;
- Awareness of the combined assurance activities on the Municipality's key risks;
- Insist on the achievement of objectives, effective performance management and value for money.

Municipal Manager

Legal Mandate and Frameworks:

The following legislative instruments provide the legal foundation for the Municipal Manager's responsibility for risk management:

- **Section 62(1)(c)(i) of the Local Government: Municipal Finance Management Act (No. 56 of 2003) (MFMA)**

The following frameworks provide the recommended practice guidelines for the Municipal Manager regarding risk management:

- **Chapter 11 of the Public Sector Risk Management Framework**
- **Recommended Practices 1.3.5; 1.3.6; 2.2.3 and 2.20.4 and Principle 4 of the King IV Code of Governance Principles**

Role and Responsibilities:

The Municipal Manager has the legal responsibility to establish and maintain an effective, efficient and transparent system of risk management. Through the delegation of powers in accordance with Section 79 of the MFMA, the Municipal Manager ensures that the responsibility for risk management vests at all levels of management and that it is not only limited to the Municipal Manager.

High level responsibilities of the Municipal Manager include:

- Set the tone at the top by supporting ERM and allocating resources towards the implementation thereof;
- Ensure the risk management policy, strategy, implementation plan and related documents are developed;

- Establish the necessary structures and reporting lines within the Municipality to support ERM;
- Influencing an institutional "risk aware" culture;
- Endorsing the code of conduct and code of ethics for the Municipality and holding management and officials accountable for adherence;
- Place the key risks at the forefront of the management agenda and devote personal attention to overseeing their effective management;
- Hold directors accountable for designing, implementing, monitoring and integrating risk management principles into their directorates;
- Holding the structures responsible for risk management activities accountable for adequate performance;
- Ensuring that a structured risk assessment process is in place to identify and rank risks according to exposure;
- Ensuring that a conducive control environment exists to ensure that identified risks are proactively managed;
- Leverage the Performance - and Audit Committee, Internal Audit, Fraud and Risk Management Committee and other appropriate structures for assurance on the effectiveness of risk management;
- Provide all relevant stakeholders with the necessary assurance that key risks are properly identified, assessed, mitigated and monitored;
- Ensure all strategic risks inherent in the IDP have been identified and mitigating action plans have been budgeted for;
- Consider and act on recommendations from the Performance - and Audit Committee, Internal Audit Services, Fraud and Risk Management Committee and other appropriate structures for improving the overall state of risk management;
- Provide appropriate leadership and guidance to directors and structures responsible for various aspects of risk management.

Directors (Risk Owner)

Legal Mandate and Frameworks:

The following legislative instruments provide the legal foundation for Directors' responsibility for risk management:

- **Section 78(1)(a) of the Local Government: Municipal Finance Management Act (No. 56 of 2003) (MFMA)**
- **Section 62(1)(c)(i) of the MFMA, delegated in terms of Section 79(1)(b)(ii) of the MFMA**

The following frameworks provide the recommended practice guidelines for Directors regarding risk management:

- **Chapter 15 of the Public Sector Risk Management Framework**
- **Recommended Practices 1.3.5; 2.2.3 and 2.20.4 and Principle 4 of the King III Code of Governance Principles**

Role and Responsibilities:

Directors are accountable to the Municipal Manager for designing, implementing and monitoring risk management systems in their directorates. This needs to be done in such a manner as to ensure that risk management becomes a valuable strategic management tool for underpinning the efficacy of service delivery and value for money.

High level responsibilities of Directors include:

- Acknowledge the “ownership” of risks within their directorates and their ultimate responsibility to oversee the managing of such risks;
- Cascade risk management into their departments’ functional responsibilities;
- Empower officials to perform adequately in terms of risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;
- Hold management accountable for their risk management responsibilities;
- Monitor the implementation of mitigating actions by management and intervene when required;
- Maintain the directorate’s risk profile within the Municipality’s risk tolerance and appetite;
- Provide reports on the directorate’s risk management, consistent with the Municipality’s reporting protocols (including appearing before committees);
- Align the functional and institutional risk management methodologies and processes;
- Respond to requests for changes to the risk register by management;
- Periodically review their directorate’s risk register to ensure it is up to date;
- Implement the directives of the Municipal Manager concerning risk management;
- Maintain a harmonious working relationship with the Chief Risk Officer and Risk Officer and support them in matters concerning the functions of risk management within the directorates;
- Keep key directorate risks at the forefront of the management agenda and devote personal attention to overseeing the management of these risks.

Management (Risk co-ordinators and Risk Champions)

Legal Mandate and Frameworks:

The following legislative instruments provide the legal foundation for Management’s responsibility for risk management:

- **Section 78(1)(a) of the Local Government: Municipal Finance Management Act (No. 56 of 2003) (MFMA)**
- **Section 62(1)(c)(i) of the MFMA, delegated in terms of Section 79(1)(b)(ii) of the MFMA**

The following frameworks provide the recommended practice guidelines for Management regarding risk management:

- **Chapter 15 of the Public Sector Risk Management Framework**
- **Recommended Practices 4.4.1; 4.4.2; 4.7.1; 4.7.2; 4.9.1 of the King IV Code of Governance Principles**

Role and Responsibilities:

Management is accountable to their directors for designing, implementing and monitoring risk management, and integrating it into the day-to-day activities of the Municipality. This needs to be done in such a manner as to ensure that risk management becomes a valuable strategic and operational management tool for underpinning the efficacy of service delivery and value for money.

High level responsibilities of Management include:

- Acknowledge the “ownership” of risks within their departmental areas and all responsibilities associated with managing such risks;
- Cascade risk management into their functional responsibilities;
- Empower officials to perform adequately in terms of risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;
- Hold officials accountable for their specific risk management responsibilities;
- Maintain the departmental risk profile within the Municipality’s risk tolerance and appetite;
- Provide reports on the departmental risk management, consistent with the Municipality’s reporting protocols (including appearing before committees);
- Align the functional and institutional risk management methodologies and processes;
- Implement the directives of their respective directors concerning risk management;
- Maintain a harmonious working relationship with the Chief Risk Officer, Risk Officer and Risk Champion and support them in matters concerning the functions of risk management;
- Keep key functional risks at the forefront of the management agenda and devote personal attention to overseeing the management of these risks.

Chief Risk Officer

Legal Mandate and Frameworks:

The following legislative instruments provide the legal foundation for the Chief Risk Officer's responsibility for risk management:

- **Employment Contract**
- **Performance Agreement**
-

The following frameworks provide the recommended practice guidelines for the Chief Risk Officer regarding risk management:

- **Chapter 14 of the Public Sector Risk Management Framework**
- **Principle 4.4 of the King IV Code of Governance Principles**

Role and Responsibilities:

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, FARMCO and other relevant committees.

Focusing on enterprise-wide risk management programmes, the Chief Risk Officer is tasked with the overall efficiency of the ERM function. This is inclusive of the embedding of risk management practices and fostering a risk aware culture within the Municipality.

High level responsibilities of the CRO include:

- Communicating the risk management policy, risk management strategy and risk management implementation plan to all stakeholders in the Municipality;
- Continuously driving the risk management process towards best practice;
- Developing a common risk assessment methodology that is aligned with the Municipality's objectives at strategic, project and operational levels for approval by the Municipal Manager;
- Coordinating risk assessments within the municipality / directorate / department / section on a regular basis;
- Sensitising management timeously of the need to perform risk assessments for all major changes, capital expenditure, projects, institutional restructuring and similar events, and assist to ensure that the attendant processes, particularly reporting, are completed efficiently and timeously;
- Assisting management in developing and implementing risk responses for each identified material risk;
- Participating in the development of the combined assurance plan for the Municipality, together with Internal Audit and management;
- Champion combined assurance activities;
- Create and maintain the combined assurance model;
- Ensuring effective information systems exist to facilitate overall risk management improvement within the Municipality;
- Continuously transferring risk management principles and practices, through training interventions, to all stakeholders within the Municipality;
- Advise on the financing of risk action plans;
- Collating and consolidating the results of the various assessments within the Municipality;
- Analysing the results of the assessment process to identify trends, within the risk and control profile, and assess the adequacy of the control interventions.
- Compiling the necessary reports to the Fraud and Risk Management Committee;
- Providing input into the development and subsequent review of the fraud prevention strategy, code of ethics, business continuity plans, occupational health and safety, environmental policies and practices and disaster management plans.

Risk Community: Risk Champions

The Risk Community is made up of Risk Champions. 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 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/Action owner.

Fraud and Risk Management Committee

Legal Mandate and Frameworks:

The following legislative instruments provide the legal foundation for the Fraud and Risk Management Committee's responsibility for risk management:

- **Theewaterskloof Municipality Fraud and Risk Management Committee Terms of Reference**

The following frameworks provide the recommended practice guidelines for the Fraud and Risk Management Committee regarding risk management:

- **Chapter 13 of the Public Sector Risk Management Framework**
- **Principle 4.3 of the King IV Code of Governance Principles**

Role and Responsibilities:

The Fraud and Risk Management Committee is responsible for assisting the Municipal Manager with the oversight requirements of risk management and evaluating and monitoring the Municipality's performance with regards to risk management. The role of the Fraud and Risk Management Committee is to formulate, promote and review the Municipality's ERM objectives, policy and strategy, and monitor the process at strategic, management and operational levels.

The Fraud and Risk Management Committee must also play a pivotal oversight role in ethics risk management and ethical behaviour within the Municipality.

High level responsibilities of the Fraud and Risk Management Committee include:

- Review the risk management policy, risk management strategy and risk management implementation plan, and recommend for approval by the Municipal Council;

- Review the risk appetite and risk tolerance and recommend for approval by the Municipal Council;
- Review the progress made with the implementation of the risk management strategy of the Municipality;
- Review the Municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register, to ensure that all possible categories of risks, both internal and external, have been identified during the risk assessment process, including an awareness of emerging risks;
- Evaluate the effectiveness of mitigating strategies to address the material risks of the Municipality;
- Inform the Municipal Manager of any material changes to the risk profile of the Municipality;
- Review the fraud prevention strategy, policy and plan and recommend for approval by the Municipal Council;
- Evaluate the effectiveness of the implementation of the anti-corruption and fraud prevention policy;
- Review the code of ethics and recommend for approval by the Municipal Council;
- Evaluate the progress with the institutionalisation of an ethical culture;
- Evaluate the effectiveness of the incorporation of ethics risk management in the risk management process;
- Review and approve the combined assurance framework;
- Review the combined assurance model and evaluate the effectiveness of assurance activities;
- Review the business continuity framework and recommend for approval by the Municipal Council;
- Review any material findings and recommendations by assurance providers on the system of risk management and monitor that appropriate action is instituted to address the identified weaknesses;
- Develop goals, objectives and key performance indicators for the Risk Management Committee for approval by the Municipal Manager;
- Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management function for approval by the Municipal Manager;
- Set out the nature, role, responsibility and authority of the risk management function within the Municipality for approval by the Municipal Manager, and oversee the performance of the risk management function;
- Provide proper and timely information to the Municipal Manager on the state of risk management, together with aspects requiring improvement accompanied by the Fraud and Risk Management Committee's recommendations to address such aspects.

Performance - and Audit Committee

Legal Mandate and Frameworks:

The following legislative instruments provide the legal foundation for the Performance - and Audit Committee's responsibility for risk management:

- **Section 166(2)(a)(ii) of the Local Government: Municipal Finance Management Act (No. 56 of 2003)**

The following frameworks provide the recommended practice guidelines for the Performance - and Audit Committee regarding risk management:

- **Chapter 12 of the Public Sector Risk Management Framework**
- **Recommended Practice 3.5.1 and Principle 3.8 of the King IV Code of Governance Principles**

Role and Responsibilities:

The Performance - and Audit Committee is responsible for providing the Municipal Manager with independent counsel, advice and direction in respect of risk management. The stakeholders rely on the Performance - and Audit Committee for an independent and objective view of the Municipality's risks and effectiveness of the risk management processes. In this way, the Performance - and Audit Committee provides valuable assurance that stakeholder interests are protected.

High level responsibilities of the Performance - and Audit Committee include:

- Review the completeness of the risk assessment process implemented by the Municipality to ensure that all possible categories of risks, both internal and external, have been identified during the risk assessment process, including an awareness of emerging risks;
- Review the adequacy of adapted risk responses;
- Review the adequacy of management action plans to address risks and monitor the implementation thereof;
- Review the progress made with the implementation of the risk management strategy of the Municipality;
- Monitor the coordination and effectiveness of combined assurance activities and provide recommendations for improvement;
- Monitor the progress with the institutionalisation of an ethical culture;
- Review and recommend any risk disclosures in the annual report;
- Provide regular feedback to the Municipal Manager on the effectiveness of the risk management process implemented by the Municipality;
- Review the process implemented by Management in respect of the fraud prevention policy and ensure that all fraud related incidents have been followed up appropriately;
- Review and ensure that the internal audit plans are aligned to the risk profile of the Municipality;
- Review the effectiveness of the internal audit assurance activities and recommend appropriate action to address any shortcomings;

Internal Audit

Legal Mandate and Frameworks:

The following legislative instruments provide the legal foundation for Internal Audit Services' responsibility for risk management:

- **Section 165(2)(a) and (b)(iv) of the Local Government: Municipal Finance Management Act (No. 56 of 2003)**

The following frameworks provide the recommended practice guidelines for Internal Audit regarding risk management:

- **Chapter 18 of the Public Sector Risk Management Framework**
- **Recommended Practices 4.9.2; 7.1.2.2 and 7.1.2.4 and Principles 4.9; 7.2 and 7.3 of the King IV Code of Governance Principles**
- **International Standards for the Professional Practice of Internal Auditing – Performance Standard 2120.**

Role and Responsibilities:

Internal Audit acts as an assurance provider and consultant for the Municipality regarding risk management.

High level responsibilities of Internal Audit include:

- Reviewing the risk philosophy of the Municipality. This includes the risk management strategy, risk management policy, fraud prevention strategy, fraud prevention policy, fraud prevention plan, business continuity framework, business continuity plans, combined assurance framework, risk management reporting lines and the values that have been developed for the Municipality;
- Reviewing the appropriateness of the risk tolerance levels set by the Municipality, taking into consideration the risk profile of the Municipality;
- Providing assurance over the design and functioning of the control environment, information and communication systems and the monitoring systems;
- Providing assurance over the Municipality's risk identification and assessment processes;
- Utilising the results of the risk assessment to develop long term and current year internal audit plans;
- Providing independent assurance as to whether the risk management strategy, risk management implementation plan and fraud prevention plan have been effectively implemented within the Municipality;
- Providing independent assurance over the adequacy of the control environment. This includes providing assurance over the effectiveness of the internal controls implemented to mitigate the identified risks;

- Reporting on the adequacy of the assurance received over key risks by combined assurance activities.

6. REPORTING

The reporting requirements in the risk management process are defined in the responsibilities of each role player.

The information regarding risk management must always reach the Directors; Municipal Manager, Fraud and Risk Management Committee, Performance - and Audit Committee and Municipal Council. A communication strategy to ensure risk management information is shared between all the other role players should be established and monitored for effectiveness.

7. MONITORING

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

8. REVIEW

The Risk Management Strategy will be reviewed and approved by the Municipal Council on an annual basis.

Version	Date
Revised and accepted by Fraud and Risk Management Committee	
Revised and amendments approved by Council	



**Theewaterskloof
Municipality**

**THEEWATERSKLOOF
MUNICIPALITY**

**RISK MANAGEMENT
OPERATIONAL PLAN**

2024-2025

1. Purpose of the Operational Plan

The Risk Management Operational Plan is a management tool that defines how the various risk management strategies, policies and procedures are to be implemented to address risk faced by the Municipality. It sets out how risk management activities will be performed, recorded, and monitored throughout the year.

2. Monitoring, Controlling and Reporting

The level of risk facing the municipality or on a project will be tracked, monitored, and reported throughout the risk management operational plan.

2.1. Monitoring

The Risk Management (FARMCO) has the overall responsibility to monitor the various components that made up the Risk Management Plan. Monitoring will include identification of any threats or opportunities that have the potential to impact the success of the plan.

2.2. Controlling

Control over the implementation of the plan will reside with the Risk Management Department who will update the RMC during each RMC meeting.

2.3. Reporting

Quarterly reports on the implementation of the Risk Management Operational Plan will be submitted to the FARMCO and the Performance -and Audit Committee (PAC).

2.4. Responsibility of Actions

The respective stakeholders are responsible for the implementation of the Risk Management Operational Plan that is outlined below.

3. Approval

The Risk Management Operational Plan shall be approved together with the Risk Management Policy and Strategy. These documents will also be reviewed annually.

RISK MANAGEMENT IMPLEMENTATION PLAN 2024-2025	
MM	Municipal Manager
CRO	Chief Risk Officer
FARMCO	Fraud and Risk Management Committee
RMU	Risk Management Unit
AC	Audit Committee
IA	Internal Auditors
EMT	Mayco & Top Management (Directors) Team
BCC	Business Continuity Committee
CAP	Combined Assurance Providers
Risk Forum	Risk Owners, Risk Champions & Risk Action Owners
PT	Provincial Treasury

FIRST QUARTER (JULY - SEPTEMBER 2024)

ACTION	FREQUENCY	DUE DATE	RESPONSIBLE PERSON(S)
Year-end risk carry over process (Final year-end reports and capture carry-over risks for new financial year)	Annually	31-Jul-24	CRO / RMU
Formulation of Risk Actions for 2024/2025. Facilitated by RMU and with the participation of Risk Action Owners & Risk Champions.	Annually	30-Sep-24	RMU / Risk Action Owners / Risk Champions

Formally appoint Risk Champions and Fraud and Risk Management Committee members (FARMCO) and Business Continuity Committee members	Annually	30-Sep-24	CRO / MM
Identify and arrange training for Risk Forums (Risk Owners, Risk Champions and Risk Action owners)	Annually	Ongoing	CRO / RMU & FARMCO
Finalised and formalise for first engagements of Business Continuity Structures	Quarterly	30-Sep-24	CRO / BCC / Risk Champions
Monthly monitoring of Risk Action Plans and identification of emanating risks	Monthly	30-Sep-24	CRO / RMU
Identification and treatment of unforeseen risks (Incident and Emerging risk reporting)	Monthly	30-Sep-24	CRO / RMU / FARMCO
Attend and participate in quarterly District Risk and Internal Audit Forum and Bi-annual Provincial Risk and Internal Audit Forum	Quarterly	30-Sep-24	CRO / RMU / IA / PT
Attend quarterly risk management meetings (In terms of the adopted Terms of reference / Charters)	Quarterly	30-Sep-24	CRO / RMC / FARMCO

Code of Ethics Awareness Campaign Continues (New approach to reach all levels)	Annually	Ongoing	CRO / Risk Forum/ HR
Attend and participate in District -, Provincial -, National Training and Workshops	Quarterly	30-Sep-24	CRO / Risk Champions
Submit the minutes of FARMCO meetings to the Audit Committee.	Quarterly	30-Sep-24	CRO / AC / FARMCO / IA
Combined Assurance Model - updates and reporting (According to approved Combined Assurance Policy Framework)	Quarterly	30-Sep-24	CRO / RMU / CAP
Submit a quarterly progress report to Council with regards to high risks	Quarterly	30-Sep-24	CRO / RMU

SECOND QUARTER (OCTOBER 2024 - DECEMBER 2024)

Review strategic / operational residual risk exposures according to risk appetite and tolerance levels	Annually	30-Nov-24	CRO / RMU
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Schedule Second engagement with Business Continuity Committee	Quarterly	30-Nov-24	CRO / BCC / Risk Champions
Alignment of strategic risks with IDP and SDBIP	Quarterly	31-Dec-24	CRO / Strategic Services / Risk Champions
Attend and participate in District -, Provincial -, National Training and Workshops	Quarterly	31-Dec-24	CRO / RMU
Start the Review process of Risk Management Compliance Documents (Risk Management Strategy, Risk Management Policy, Risk Management Implementation Plan , Fraud Prevention and Anti-Corruption Strategy, Policy and Plan / Business Continuity Framework & Code of Ethics)	Annually	31-Dec-24	CRO / RMU / RMC / FARMCO
Develop One-Page Poster on basic principles and tools of risk management as part of training and awareness initiative - To be easily accessible to Council, Senior Management, All other Staff and Audit Committees (Improve Risk Maturity especially i.r.o. quality in risk action responses and decision making at both operational & strategic level)	Annually	31-Dec-24	CRO
Identify and arrange training for Risk Forums (Risk Owners, Risk Champions and Risk Action owners)	Annually	31-Dec-24	CRO / RMC & FARMCO

Monthly monitoring of Risk Action Plans and Identification of emanating risks	Monthly	31-Dec-24	CRO / RMU
Identification and treatment of unforeseen risks (Incident and Emerging risk reporting)	Monthly	31-Dec-24	CRO / RMC / FARMCO
Attend and participate in quarterly District Risk and Internal Audit Forum	Quarterly	31-Dec-24	CRO / RMU / IA / PT
Attend quarterly risk management meetings (In terms of the adopted Terms of reference)	Quarterly	31-Dec-24	CRO / RMC / FARMCO
Code of Ethics Awareness Campaign Continues (New approach to reach all levels)	Continuously	Ongoing	CRO / Risk Forum/ HR
Combined Assurance Model - updates and reporting (According to approved Combined Assurance Policy Framework)	Quarterly	31-Dec-24	CRO / RMU / CAP
Submit a quarterly progress report to MM with regards to progress of risk management action plans	Quarterly	31-Dec-24	CRO

THIRD QUARTER (JANUARY - MARCH 2025)

Facilitate Risk Management Awareness	Ongoing	31-Mar-25	CRO/RMU / RISK FORUM
Facilitate Annual operational / departmental risk assessments for 2025-2026 financial year	Annually	31-Mar-25	CRO / RMU / RISK FORUM
Facilitate the strategic risk identification and assessment workshops and generate an annual strategic risk report	Annually	31-Mar-25	CRO / Council / Senior Management
Submit the recommendations of reviewed risk management related documents and strategic risk registers to FARMCO and Council for approval.	Annually	31-Mar-25	CRO / RMC / FARMCO / Council
Submit the minutes of FARMCO meetings to the Audit Committee.	Quarterly	31-Mar-25	CRO / AC / RMC / FARMCO / IA
Monthly monitoring of Risk Action Plans and identification of emanating risks and submit a report	Monthly	31-Mar-25	CRO / RMU
Identification and treatment of unforeseen risks (Incident and Emerging risk reporting)	Monthly	31-Mar-25	CRO / FARMCO

Attend and participate in quarterly District Risk and Internal Audit Forum and Bi-annual Provincial Risk and Internal Audit Forum	Quarterly	31-Mar-25	CRO / RMU / IA / PT
Attend quarterly risk management meetings (In terms of the adopted Terms of reference)	Quarterly	31-Mar-25	CRO / FARMCO
Perform internal Risk Management maturity assessment on progress of all activities and determine risk profile for 2024/2025	Annually	31-Mar-25	CRO / RMU
Combined Assurance Model - updates and reporting (According to approved Combined Assurance Policy Framework)	Quarterly	31-Mar-25	CRO / RMU / CAP
Submit a quarterly progress report to MM with regards to progress of risk management action plans	Quarterly	31-Mar-25	CRO

FOURTH QUARTER (APRIL - JUNE 2025)

Provide Internal Audit with the approved operational and strategic risk registers for 2025/2026 for Risk Based Audit Plan	Annually	31-May-25	CRO / IA
Compile risk management operational plan for 2024-2025 to be approved by FARMCO	Annually	30-Jun-25	CRO
Review year-end internal control procedures and demand management process (including performance)	Annually	30-Jun-25	CRO

Submit the minutes of FARMCO meetings to the Audit Committee.	Quarterly	30-Jun-25	CRO / AC / RMC / FARMCO / IA
Perform internal Risk Management maturity assessment on progress of all activities and determine risk profile for 2024/2025	Annually	30-Jun-25	CRO / RMU
Evaluate performance of FARMCO for the period 2024/2025	Annually	30-Jun-25	CRO / RMU / FARMCO
Monthly monitoring of Risk Action Plans and identification of emanating risks	Monthly	30-Jun-25	CRO / RMU
Identification and treatment of unforeseen risks (Incident and Emerging risk reporting)	Monthly	30-Jun-25	CRO / FARMCO
Attend and participate in quarterly District Risk and Internal Audit Forum and Bi-annual Provincial Risk and Internal Audit Forum	Quarterly	30-Jun-25	CRO / RMU / IA / PT
Attend quarterly risk management meetings (In terms of the adopted Terms of reference)	Quarterly	30-Jun-25	CRO / RMC / FARMCO
Combined Assurance Model - updates and reporting (According to approved Combined Assurance Policy Framework)	Quarterly	30-Jun-25	CRO / RMU / CAP
Submit a quarterly progress report to MM with regards to progress of risk management action plans	Quarterly	30-Jun-25	CRO

<ol style="list-style-type: none"> 1. Support of internal structures to determine responsibilities 2. Provide Assurance on the risk management processes 3. Monitoring of critical risks and its impact 4. Evaluate risk ratings and tolerance levels and give best practice recommendations to Fraud and Risk Management Committee's 5. Training, Risk awareness culture, effective communication from risk owners to oversight committee's 6. Monitoring of Control Effectiveness and Mitigating Action Plans 7. Continuous risk assessment and reporting 8. Monitoring of risk management processes 9. Maintenance of Risk Registers 10. Facilitate the meetings and procedures regarding risk committees 11. Advisory regarding risk management to municipality 12. Support to Internal Audit units regarding risk management 	<p style="text-align: center;">Continuously</p>	<p style="text-align: center;">30-Jun-25</p>	<p style="text-align: center;">CRO / RMU</p>
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