



BEAUFORT WEST MUNICIPALITY

COMBINED ASSURANCE POLICY

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DEFINITIONS

'Assessment' means the identification, analysis and evaluation of risks when used in a risk management context, as set out in the City's RM Framework and Implementation Plan.

'Assurance' means an objective examination of evidence for the purpose of providing an assessment on governance, risk management and control processes for the organisation;

'Municipality' means the Municipality of Beaufort West, a municipality established by the Municipality of Beaufort West as per establishment Notice issued in terms of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), or any structure or employee of the Municipality acting in terms of delegated authority.

'Combined Assurance' (CA) means the integration and aligning of assurance processes in the Municipality to maximise risk and governance oversight and control efficiencies, thereby optimising overall assurance to Council, the AC, RiskCo and EMT, taking into account the Municipality's risk acceptance level;

'Combined Assurance Plan' (CAP), means the agreed upon plan, setting out activities (risks, SPFs, root causes and controls) on which CA is required, by whom and how often this should be given;

'Controls' means any actions (such as reviews, checks and balances, methods and procedures) taken by personnel, management, Council and other parties to manage risk and increase the likelihood that the established objectives and goals will be achieved.

'Council' means the Municipal Council of the Municipality of Beaufort West;

'Risk Management' means the processes effected by the MM, management and other personnel, across the Municipality, designed to identify potential events that may affect the Municipality and identify ways of managing these, in order to provide reasonable assurance regarding the Municipality being able to achieve its objectives;

'Lines of Defence' means the various levels on which assurance providers provide assurance to various stakeholders. These levels are directly linked to the assurance provider's level of independence from the activity on which assurance is required.

'Management' includes staff of the Municipality who controls or directs any directorate, department, unit, division, process or resources of the Municipality;

'Risk' means uncertain future events (threats and opportunities) that could influence the achievement of the goals and objectives of the Municipality;

'Risk Management' means the systematic approach to setting the best course of action under uncertainty by assessing, understanding, acting on and communicating risk issues and opportunities; and

'Significant Risk' means a risk of high probability that is likely to create a significant or material impact on the achievement of the Municipality's objectives.

2. ABBREVIATIONS

'AC' means the Audit Committee of the Municipality;

'CA' means Combined Assurance;

'CAP' means Combined Assurance Plan;

'CRO' means Chief Risk Officer;

'EMT' means The Executive Management Team of the Municipality, consisting of the MM and all Directors;

'IA' means Internal Audit;

'RM' means Risk Management;

'Mayco' means the Mayoral Committee;

'MM' refers to the Municipality Manager

'RiskCo' means the Risk Management Committee of the Municipality; and

'SPF' means Single Point of Failure (Business continuity risk).

3. PROBLEM STATEMENT

Through this policy the Municipality puts into practice its commitment to the implementation of Combined Assurance as part of good governance, to ensure optimal overall assurance to senior management, the AC and Council. This policy will enable managers to develop a mutual understanding of CA and ensure clarity with regards to the various role-players' roles and responsibilities.

CA is a pro-active assessment of assurance needed and provided, in order to provide reasonable assurance that controls or the lack thereof in key processes are considered, managed and where necessary improved on, in order to ensure the reduction of risks or minimising the impact should a risk realises, in order to secure the continuing of business in the interest of effective, efficient and sustainable service delivery.

This policy forms the basis for the accompanying CA Framework and Implementation Plan which is designed to help achieve the objective of implementing an effective CA process.

4. DESIRED OUTCOME

The Municipality is committed to implementing and maintaining an effective, efficient and transparent Combined Assurance Plan (CAP).

CA is designed to assist management in achieving its objectives and to optimize assurance coverage from management, internal assurance providers and external assurance providers on the risks facing the Municipality. It gives the assurance that the reports relating to financial, performance and risk related matters are indeed reliable and that it had been provided in a sustainable, effective and efficient manner.

The objectives and benefits of CA inter alia include:

- 4.1 Coordinated and more focussed assurance efforts, resulting in better utilisation of resources allocated to assurance efforts.
- 4.2 Minimised business/operational disruptions by avoiding duplication of effort, co-ordinating timelines and avoiding assurance overload.
- 4.3 Optimise overall assurance to the oversight bodies that in turn are held accountable by the citizens.
- 4.4 Improved reporting, with a more comprehensive perspective to the AC and Council.
- 4.5 A more comprehensive and prioritised tracking of remedial actions.

5. STRATEGIC INTENT

The Policy seeks to assist the Municipality in ensuring Good Governance principles are applied throughout the Municipality, thereby establishing an efficient and productive administration that prioritises delivery.

6. MUNICIPALITY CONTEXT

Although a high level of risk awareness and response are embedded in daily management activities, the Municipality also requires that risk management be integrated throughout the Municipality. It also needs to be efficient to deliver the holistic approach to assurance required by EMT, MAYCO, Council and other stakeholders. This in turn requires the effective coordination of assurance effort, ensuring there are no gaps and minimal overlaps.

Council has mandated the adoption of most of the principles and many of the recommended practices of the King Report on Governance and Code of Governance Principles (2009) ("King III").

Accordingly, it has mandated the establishment of a combined assurance approach, mandated in a Combined Assurance Policy, encompassing Risk Management and IA and their respective plans, procedures and practices, systems and controls, and reporting responsibilities, as formulated in their respective operating Standards.

This policy is not to be seen in isolation and should be read with the Municipality's RM Policy and other related policies within the Municipality.

7. SCOPE

This policy applies throughout the Municipality, as per the defined roles and responsibilities, becoming effective once approved by Council and will be implemented over time through a phased in approach as detailed and approved in the CA Framework and Implementation Plan.

8. ROLES AND RESPONSIBILITIES

Combined assurance in the Municipality is based on a four lines of defence module. Lines of defence should not be combined or coordinated in a manner that compromises their effectiveness.

The following CA role-players have been identified and should take an active interest in the CA processes, co-ordinating their assurance providing efforts with those of other assurance providers and improving on CA efforts in the Municipality. Internal role-players who fail to comply with this policy could face disciplinary action and potential dismissal.

Guidance with the steps required in order to comply with the requirements set out below are contained in the CA Framework and Implementation Plan.

8.1 First Line of Defence

In the 'Four Lines of Defence' model, management (as the first line of defence) will provide assurance on all areas within their span of control. Management is ultimately responsible for establishing, maintaining and ensuring proper governance, risk management and internal control processes. Management must assess risks, determine how much risk is acceptable and strive to maintain risk within those levels, using various management tools, including self-assessments.

Managements' reports and associated representations should offer the various role-players reasonable assurance. Management needs to assist and play an active part in the compilation of the CAP and ensuring they fulfil their roles and responsibilities as set in the CAP.

Management is responsible for ensuring that assurance providers appointed to give them or stakeholders additional assurance have the necessary skills, competencies and comply with required standards. In return CA should provide management with optimal assurance relating to the significant risks they manage.

8.2 Second Line of Defence

The second line of defence is made up of risk control and compliance assurance providers reporting primarily to management (clause 8.1) and oversight bodies (clause 8.4), with limited independence in relation to the activity on which assurance is required. In the Municipality the risk control and compliance assurance provider making up the second line of defence includes, but is not limited to RiskCo, EMT Legal Services, Environmental Resource Management, Occupational Health and Safety (OHS), Municipality Ombudsman, RM, Forensic Services.

The second line of defence provides assurance or corroborative assurance, that management is indeed sufficiently in control of the regulatory, statutory, environmental, ethical and quality requirements and the associated risks, critical to the on-going success of the Municipality. Co-ordinating these ensure the elimination of gaps and duplications and the resulting unmanaged risks or waste of resources. These assurance providers should ensure that they apply their specific professional standards and best practices, give inputs into the compilation of the CAP and ensuring they fulfil their roles and responsibilities as set in the CAP.

8.3 Third Line of Defence

The third line of defence includes risk assurance providers who have greater independence, such as IA, various provincial and national departments, such as Treasury and external audit,

who report to Oversight bodies. These assurance providers should ensure that they apply their specific professional standards and best practises, give inputs into the compilation of the CAP and ensuring they fulfil their roles and responsibilities as set in the CAP.

8.4 Fourth Line of Defence

The Municipality has various independent oversight bodies and bodies who advise them, functioning as a fourth line of defence. These oversight bodies ultimately provide assurance to the inhabitants of the Municipality and Country relating to activities and governance issues of the Municipality. Various oversight bodies would have a vested interest in CA and could request feedback and give inputs into their area of responsibility, in order to ensure that assurance and performance is balanced and maximised. The oversight bodies and bodies who advise them include, but are not limited to:-

- Municipal Public Accounts Committee (MPAC)
- Council
- Audit Committee (AC)
- Portfolio Committees

9. KEY-ROLE PLAYERS TO THE CA PROCESS

The Municipality identified the following key role-players with specific roles and responsibilities with regards to the implementation of Combined Assurance Processes in the Municipality:

9.1 Management

Management will always be the first line of defence. Management must determine which activities need to be included in the CAP, taking responsibility for identifying and confirming assurance providers and agreeing with them on the objective, scope and timing of assurance required. Ensuring compliance with all activities as stipulated in clause 8.1 above.

9.2 RM - Custodian of Combined Assurance

The Chief Risk Officer is the custodian of the CA policy, taking responsibility for the institutionalising of CA. While management remains ultimately responsible for unpacking the CAP, RM should facilitate and co-ordinate the process and ensure implementation and roll out in accordance with the CA Framework and Implementation Plan. RM needs to report to the AC via RiskCo on CA matters.

9.3 IA - Assurance Provider of CA processes

In addition to IA's functions as an assurance provider, IA must make an assessment of the adequacy of the adopted combined assurance approach. This assessment includes the adequacy of risk coverage by the different assurance providers and the reliability of the assurance provided.

9.4 Oversight over CA processes

The following oversight bodies have Municipality-wide responsibility with regards to combined assurance:

9.4.1 Council

Council is accountable to the public and thus takes an interest in CA to the extent necessary to obtain comfort that properly established and functioning systems of CA and RM are in place to protect the Municipality against significant risks. CA should provide Council with optimal assurance regarding the significant risks facing the Municipality.

9.4.2 Audit Committee (AC)

The AC is an independent committee responsible for advising Council with regards to the oversight of the Municipality's controls, governance and RM. The AC functions in terms of its Council approved terms of reference. The AC's is to ensure that a CA model is applied to provide a co-ordinated approach to all assurance activities as defined in the Municipality's CA Framework and Implementation Plan. In particular the AC should ensure that the CA received addresses the significant risks facing the Municipality. This includes monitoring the effective functioning of IA and monitoring the relationship between the external assurance providers and the Municipality.

9.4.3 Risk Management Committee (RiskCo)

RiskCo is appointed by the Municipality Manager to inter alia assist in the oversight of CA responsibilities. The responsibilities of RiskCo are formally defined in RiskCo's Terms of Reference. RiskCo will need to give guidance on the implementation and roll-out of Combined Assurance, recommend for approval the CAP and monitor and review progress and reports thereon.

10. CA METHODOLOGY

The CA methodology consists of the following seven steps, guidance with regards to the implementation of these steps are set out in the CA Framework and Implementation Plan:

- 10.1 Identify activities for the CAP from RM risk registers.
- 10.2 Reassess the key strategic controls.
- 10.3 Identify and map assurance providers.
- 10.4 Consult with assurance providers.
- 10.5 Execution of assurance provider's functions.
- 10.6 Collate and report information
- 10.7 Monitoring and review.

11. REGULATORY CONTEXT

11.1 The policy is informed by the following pieces of legislation:

11.1.1 The Constitution of the Republic of South Africa, 1996;

11.1.2 Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA); and

11.1.3 Sector-specific legislation: Various other legislations applicable to the various assurance providers.

11.1.4 RM Policy, RM Framework and Implementation Plan

11.2 This policy is also informed by:

11.2.1 The King III Report of Governance for South Africa, 2009;

11.2.2 Public Sector Risk Management Framework.

12. MONITORING, EVALUATION AND REVIEW OF POLICY

RM is responsible for the monitoring and evaluation of this policy.

The policy shall be revised and approved by Council when operational needs require this, but at least once during every term of Council.

Any queries and/or requests for amendments relating to this policy should be directed to the Chief Risk Officer, Tel No. 023 414 8196.