BEAUFORT WEST MUNICIPALITY

FRAUD AND RISK MANAGEMENT FRAMEWORK, POLICY AND STRATEGY 2025

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ACRONYMS

AGSA	Audit General South Africa
AC	Audit Committee
CRO	Chief Risk Officer
ERM	Enterprise Risk Management
EMT	Executive Management Team
IDP	Integrated Development Plan
IT	Information Technology
MFMA	Municipal Finance Management Act
OHS	Occupational Health and Safety
RMC	Risk Management Committee
TAP	Treatment Action Plan
TOR	Terms of Reference / Charts
COSO	Committee of Sponsoring Organizations of the Treadway Commission
SDBIP	Service Delivery Budget Implementation Plan
FRP	Financial Recovery Plan
FRMC	Fraud & Risk Management Committee

OVERVIEW

Introduction

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

The Beaufort West Municipality's process of risk management is informed by this Risk Management Framework, Policy, which includes the Risk Management Strategy.

Background

The concept of risk management is not new as the basic principles of service delivery (Batho Pele, 1997) clearly articulate the need for prudent risk management to underpin the achievement of municipal objectives.

Municipalities are bound by constitutional mandates to provide products or services in the interest of the public good. As no institution has the luxury of functioning in a risk-free environment, the municipality also encounters risks inherent in producing and delivering such goods and services.

Stakeholders understand this but expect Municipalities to perform without any unnecessary exposure to risk. In other words, stakeholders are averse to value

erosion caused by risks that ought to be detected and avoided through prudent management actions.

The Municipal Environment is fraught with unique challenges, such as lack of capacity, lengthy decision lead times, limited resources, competing objectives and infrastructure backlogs to mention a few. Such dynamics place an extra risk management burden on the management of municipalities.

Risk management is a management tool that increases an institutions prospect of success through getting it right the first time and minimising negative outcomes. Value is maximised when institutions set clear and realistic objectives, develop appropriate strategies, understand the intrinsic risks associated therewith and direct resources towards managing such risks on the basis of cost-benefit principles. Within high performing institutions, risk management is a strategic imperative rather than an option.

Purpose

To put into practice, Beaufort West Municipality's commitment to implement risk management and instill a culture of enterprise risk management throughout the municipality in an integrated fashion through the setting of principles, deliverables and processes.

BWM recognizes that risk management is a systematic and formalized process to integrate risk management with performance and strategy and to identify, assess, manage and monitor risks. BWM will strive to build a risk management culture within the organisation that is integrated into all business processes to enhance performance with the following objectives:

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

Legal Framework and Guidance

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

Local Government: Municipal Systems Act, No 32 of 2000

- Section 83 states that - measures must be taken around service providers that minimise the possibility of fraud and corruption.

- Section 104 states that - loss control on municipal equipment be minimized thereby reducing the possibility of fraud and corruption and that this will be regulated by the MEC.

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

- Section 62 states that:

"(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure
     (c) that the municipality has and maintains effective, efficient and transparent systems –
         (i) of financial and risk management and internal control;"

- Section 165 states that:

"(1) Each municipality and each municipal entity must have an internal audit unit, subject to subsection (3).
(2) The internal audit unit of a municipality or municipal entity must-
     (a) prepare a risk-based audit plan and an internal audit program for each financial year;
     (b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to-
         (i) internal audit;
         (ii) internal controls;
         (iii)accounting procedures and practices;
         (iv)risk and risk management;
         (v)performance management;
         (vi)loss control; and
         (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation."

- Section 166 states that:

"(2) An audit committee is an independent advisory body which must –
     (a) advise the municipal Council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to –
         (ii) risk management;"

Other Legislation
Legislation concerning risk management is contained in various other pieces of legislation and the Municipality needs to take cognizance of these requirements when addressing the risk exposures of specific Directorates/Departments. These would include inter alia - the Occupational Health and Safety Act, Construction Regulations, Environmental Legislation, Housing Acts, etc.

The Public Sector Risk Management Framework
The Public Sector Risk Management Framework (PSRMF) by National Treasury provides a generic guide for the implementation of risk management strategies in the public service, and suggests that risk management is a formal step-by-step process that can be applied at all levels of a Department. These principles need to be implemented within the context of each Department who should implement this framework in the development of their own risk management strategies.
The Municipality's FRMC adopted the National Treasury: Public Sector Risk Management Framework (RKCO07/12/08) to ensure that a service delivery imperative exists for ERM (benchmark).

The King IV Code of Governance for South Africa, 2016
The King IV Code has nine focus areas and the principles to be applied in each are of equal importance and together forms a holistic approach to governance. The Governance of Risk is one of these focus areas and in turn is broken up into governance elements, principles and recommended practices.

COSO ERM 2017
COSO ERM 2017 is an International Standard that is intended to help risk practitioners, business leaders, and assurance providers by offering comprehensive insight into components and principles required of an ERM framework from strategy setting to execution.

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

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

THE POLICY

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

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

An entity-wide approach to risk management is adopted by BWM, which means that every key risk in each part of the organisation will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the organization's systems and processes,

ensuring that our responses to risks remain current, dynamic and future focused. All risk management efforts will be focused on supporting the organization's objectives. Equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, council, communities and other key role players in terms of corporate governance.

RISK MANAGEMENT PROCESSES

Establishing Context
By establishing the context, the articulation of objectives, key assumptions, key success factors, key challenges, and key changes in the internal and external environment is considered in the risk management process. Context setting sets the scope for identifying risks and opportunities. It sets the boundaries in which risks can be identified and provides relevance for the risk.

Identifying Risk and Opportunity

Risk identification is a process of finding, recognising and describing risks. The aim of this step is to identify the key risks that might impede the achievement of the municipality's objectives. The focus would therefore be to identify the risks that could prevent achievement of the strategic objectives and key performance indicators of the municipality, as documented in the IDP, and the approved SDBIP of the municipality for the financial year.

When identifying risks, it is essential to align to the outward focused approach of the Municipality, thus considering citizen centricity in delivering services.

Risks will be identified as follows:
1. **Strategic risks** – affect the municipality's ability to meet its strategic goals and require oversight by senior executives. It will include risks that have an impact across the municipality, impact the vision/goals of the municipality as recorded in the 5-year Strategic Plan, are of a longer-term nature and which are on the Accounting Officer's radar.

2. **Operational risks** – risks that arise at a programme level. These risks require specific and detailed responses and monitoring regimes. They are short term and linked to the Annual Performance Plan indicators for the specific programme. If not treated and monitored, operational risks could potentially result in major adverse consequences for the municipality.

3. **Top risks** – risks that arise after the risk assessment is completed and were rated high in terms of likelihood and impact by senior management. These risks will be audited over the next three years.

4. **FRP risks** - risks that were identified by Provincial Government when the Municipality was placed under a mandatory intervention in terms of section

139(5) (a) of the Constitution which must be mitigated for successful implementation of the FRP.

Strategic risks will be identified as part of an integrated results-based strategic planning approach. To this end Enterprise Risk Management will form an integral part of strategic planning to ensure that potential risks are identified as part of the annual municipal planning processes. For this reason, Enterprise Risk Management will be a critical stakeholder in the municipal planning processes.

Strategic risks and Operational risks will be reviewed every three years and the Top and FRP risks are reviewed at the FRMC on a regular basis.

Apart from formal facilitated sessions, the identification of emerging risks is an important aspect of identifying risks timely and formulating risk response decisions that would minimise the impact and/or likelihood of the risk materialising. To this end, it is required that the CRO be provided with strategic documentation (strategic and annual performance plans, quarterly performance reports, important and relevant functional information, business cases, key strategies, SOP's and policies, etc.) to identify emerging risks for discussion/tabling with management. The strategic documentation is used to prepare for these sessions so that the contribution in these sessions is valuable and strengthen the risk management process.

The identification and discussion of emerging risks will furthermore be included as an agenda item on management meetings. The formal risk assessment process as defined in this ERM Framework will then be followed to analyse and evaluate risks. Risk identification will be included as an agenda point on municipal strategic planning sessions so that Municipal strategies can be evaluated/considered in light of the risks and opportunities that the Municipality may be facing.

The Municipality manages operational risks through its various projects within each component. This process needs to be fully institutionalised and where relevant operational risks must be escalated into the strategic risk register via the risk facilitation process or alternately during the discussion at Risk Management Committee meetings.

Risks will be categorised to assist with determining risk owners and risk reporting. The risk categories that will be used for the Municipality is attached as **follows:**

Risk Category	Description
People Management	Strategic Risk
Knowledge and Information management	Human Resource Risk
Litigation	Reputational Risk
Loss/theft of assets	Financial Risk
Supply Chain Management	Operational Risk
Service delivery	Legal Risk
ICT	Compliance and Control Risk
Third party Risks/ Contract management	
Health & Safety	
Business Continuity/Disaster Recovery	
Non-compliance with legal and regulatory requirements	
Non-compliance with Policies and Procedures	
Economic Crime Fraud and corruption	
Financial	
Organisational Culture	
Reputation	
Security Management	
Economic Environment	
Political environment	
Social environment	
Natural environment	
Technological environment	
Legislative environment	

Risk Analysis

Risk analysis is the process of assessing the inherent and residual risk. The inherent risk assessment establishes the level of exposure in the absence of deliberate management actions to influence the risk. The residual risk assessment determines the actual remaining level of risk after the mitigating effects of management actions to influence the risk. The impact of the potential threat or opportunity, as well as the likelihood of the risk occurring, both inherently and residually is further rated using the following matrix.

HEAT MAP/RISK MATRIX

IMPACT		1 Potential	2 Possible	3 Expected	4 Probable	5 Certain
	5 Critical	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Significant	3	6	9	12	15
	2 Moderate	2	4	6	8	10
	1 Marginal	1	2	3	4	5
		LIKELIHOOD				

Risk Rating	Escalation
RED	High rated risks fall between 21 and 25. This means the probability of the risk eventuating is high and likely to happen. The risk needs to be monitored and managed accordingly. (Minimum monitoring: quarterly review depending on the severity)
AMBER	Medium risks are rated between 8 and 20. Although a risk could materialize the impact is low and effort and resources invested should be managed accordingly. (Minimum monitoring: annual review)
YELLOW	These risks have low impact and low likeliness i.e. both rated below 6 out of 25. It is a low risk that requires little if any attention, effort or resource investment. (Minimum monitoring: every 3 years review)

Impact is determined as the consequence that the occurrence of an event would have on the municipality. The likelihood is assessed based on the probability that an event would occur, determined qualitative on past occurrences and expectancies in the future.

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

In analysing a risk we apply the bow-tie methodology. This methodology provides a structured, systematic way of analysing the risk, by identifying all the contributing factors that could cause a risk to arise and then the associated impacts or consequences should this risk materialise. The ideal is to portray this in an "easy-to understand" picture which can be used to facilitate the process in a more participative way and to reduce the use of spreadsheets in workshops.

Existing controls (or mitigating measures) and action plans (further controls/ mitigations required to adequately mitigate the risk) are identified and linked to each contributing factor and impact. It is possible that a single control or action plan could mitigate multiple contributing factors and/or impacts.

Identifying contributing factors (Causes)
To assist in the analysis of risks, contributing factors will be prioritised and categorised to indicate the level of its contribution to the risk. This is to direct attention to identify and/or implement controls that would address the contributing factors that have the highest influence on the risk. This will also assist when risks are rated residually as controls that address a contributing factor that has a low influence on the risk should not result in a significant decrease of the residual risk rating.

Contributing Factor Priorities:
- 1 – Low influence on risk – these are low/ insignificant causes of the risk.
- 2 – Medium influence on risk – these have a moderate/ medium cause to the risk.
- 3 – High influence on risk – these are the highest/ most significant contributors to the risk

Contributing factors will be categorised as either internal or external, with the following sub-categories:

◊ Internal (People, Process, System)
◊ External (Economical, Environmental, Legal, Political, Social, Technological)

Identifying controls
A control is any action taken by management to manage and/or mitigate the risk. A control can be categorised into one of the following categories:
- **Preventative controls** – these controls are designed to limit the possibility of an undesirable outcome being realised. Examples include segregation of duty and limiting levels of authority.
- **Corrective controls** – these controls are designed to correct undesirable outcomes which have been realised (i.e. impact). An example includes the design of a contract to allow recovery of overpayments.
- **Detective controls** – these controls are designed to ensure that an undesirable outcome is identified as soon as it occurs in order to control

the effect and in order to put measures in place to prevent a reoccurrence. Examples include budget underspending monitoring, stock or asset counts, reconciliations, and post-implementation reviews.

In identifying controls it is important that the control that is implemented is proportional to the risk. Every control has an associated cost and it is important that the control action offers value for money in relation to the risk it is controlling. Generally speaking, the purpose of controls is to constrain risk rather than to eliminate it.

After controls have been identified, an assessment is performed to determine whether these controls are sufficient to address the risk and whether any control gaps or weaknesses exist in the design of functioning of these controls. Control Self-assessment (CSA) is a process through which the adequacy and effectiveness of controls are examined by management to assess its appropriateness to mitigate the risk to an appropriate level. This evaluation of controls assists risk owners in deriving a more probable risk rating.

Adequacy Assessment
The purpose of this analysis is to determine whether the control design is appropriate, and to identify any potential control gaps or design flaws. It is important to note the adequacy assessment is performed on the group of controls identified to mitigate the specific contributing factor or impact, not the individual controls. Categories for Adequacy assessments ratings are as follow:
- · Adequate;
- · Adequate requiring enhancements and
- · Inadequate.

Where the group of controls are assessed as "Adequate, requiring enhancement", or "Inadequate", the Risk practitioner should recommend the action(s) required to improve the control deficiencies, which in turn will improve the adequacy of the group of controls. Typically, this can be addressed through raising an Action plan.

Likewise, where the group of controls are assessed as "Adequate", the Risk practitioner will assess whether the controls are sufficient for the level of risk or Contributing factor (CF). Where the risk or CF appears to be over controlled, the Risk practitioner should recommend, at a minimum, the key controls required to mitigate the risk. Additional controls should be reviewed to determine whether it assist in mitigating the risk or CF further, and whether it should be removed.

Effectiveness assessment
This analysis involves assessing whether the control is consistently applied and whether it is functioning as intended. The effectiveness assessment is performed on each control identified to mitigate the specific contributing factor or impact. Categories for Effectiveness assessment ratings are as follow:
- · Effective;
- · Partially Effective; and
- · Ineffective.

Where any controls are rated other than Adequate and/or Effective, management should identify Action plans, where possible, to address the gap or control weakness, in a means of improving the risk mitigation.

Risk Appetite

Risk appetite provides a boundary around the amount of risk an organization might pursue. An organization with an aggressive appetite for risk might set aggressive goals, while an organisation that is risk-averse, with a low appetite for risk, might set conservative goals. Just as organisations set different objectives, they will develop different risk appetites. There is no standard or universal risk appetite statement that applies to all organisations, nor is there a "right" risk appetite. Management must make choices in setting risk appetite, understanding the trade-offs involved in having higher or lower appetites. A risk appetite statement sets the tone for risk management, a limit beyond which additional risk should not be taken.

An appetite statement has been defined per risk category to clarify BWM's appetite for certain categories of risk. This will assist in risk response decisions.

BWM's risk appetite levels and its associated approach to risks in those levels are depicted as follows:

Risk Appetite Range	Low	Moderate	High
Risk taking vs reward	A cautious approach towards risk taking.	A balanced and informed approach to risk taking	Aggressive risk taking is justified
Impact on strategies/ objectives	Willing to accept a small negative impactin pursuit of strategic objectives	Willing to accept some negative impact in pursuit of strategic objectives	Willing to accept a large negative impact in pursuit of strategic objectives
Preferred risk response approach	Risks that cannot be effectively treated or transferred are avoided	No preference towards risk response approaches	Risk is accepted.
Risk response decision criteria	Risk response actions are taken even though prevention costs are greater thanexpected incident costs.	Risk response actions are made based on cost effectiveness, management priorities and potential outcomes.	Minimum, if any, risk response actions are taken

The risk appetite is determined by the municipality based on the amount of risk the organisation is willing to accept, in striving to achieve its strategic objectives. The risk appetite is determined annually during the annual risk assessment processes. Based on the above. The risk appetite statements were agreed to by the FRMC and

decision makers are therefore permitted to expose BWM to a degree of risk in line with the following statements:

Risk appetite description	Risk appetite statements
Low Appetite	BWM has a low appetite for: • non-compliance with legal and regulatory requirements, including deliberate and purposeful violations of legislative and regulatory requirements. We commit to a high level of compliance with relevant legislation, regulation and governance principles where breaches will be remedied as soon as practicable. • for risks relating to economic crime and commits to a **zero tolerance for fraud and corruption**. We are committed to deter and prevent fraud and corruption, will take a serious approach to cases or suspected cases of fraud and corruption perpetrated by our employees and contractors and will respond fully and fairly in such cases. • the compromise of processes governing the use of its information, its management and publication. We commit to ensure that information is authentic, appropriately classified, conserved and managed in accordance with relevant requirements. This further means that we have a low appetite for cyber security risks. • the loss of fixed, current and moveable assets. • third party performance and/or contract management risks and will hold all parties/suppliers accountable for contracted services. • risks that impacts the availability of our systems which supports our core and critical business functions. • security related risks, including those relating to physical security, access to information and data and cyber security. BWM has **no** appetite for fatalities in the workplace and will take the necessary measures to create a safe working environment for our staff after considering all critical areas. We will not allow behaviour that could harm staff while being at work.

Risk appetite description	Risk appetite statements
Moderate Appetite	BWM has a moderate appetite for: • non-compliance with policies and procedures and will ensure that policies and procedures are complied to as far as practicable possible. • risks that may jeopardise its activities and standards of operation and will ensure that it will continue to deliver its services to the people of (Insert Municipality Name here) effectively and efficiently. • risks that can impact on audit outcomes, quality of financial statements, cost structures and financial sustainability, including the SCM process. • risks relating to litigation, penalties, fines and court proceedings. • risks that affect its reputation. • changes to its culture and leadership. BWM is building the high-performance, professional and innovative capabilities of its leaders through empowerment and leadership development, within a framework of ethical behaviour. External risks are those that arise from events outside of BWM's control. These risks can offer negative and/or positive benefits. BWM cannot influence the likelihood of these types of risks but can reduce the cost of an impact, and therefore has a moderate appetite for: • Risks that impact its economic environment including interest rates, exchange rates, share prices, GDP, inflation, employment and investment options. • Risks that impact its legislative sphere. • Challenges faced in the natural environment. • Risks inherent in its political landscape. • Risks emanating from its external social environment (e.g. urbanisation).
High Appetite	BWM has a high appetite for excellence and innovation through technology. We acknowledge that digital transformation changes are required to adapt to changes in regulator, society and the general business environment.

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

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

Risk tolerance:
The risk tolerance refers to the amount of risk the department is capable of bearing, or the acceptable level of variation relative to achievement of a specific objective, often best measured in the same unit as those used to measure the related objective. It is tactical and operational. Risk tolerance guides operating units as they implement risk appetite and communicates a degree of flexibility. Risk tolerances are a more specific subset of the risk appetite and dissect the assertions that make up the risk appetite statement. Whereas risk appetite is considered in the context of strategic planning and objectives, risk tolerance is considered in developing tactical objectives. That is, it addresses how much deviance from a specific objective the department is willing to allow.

The risk tolerance will be determined per risk, and in line with the abovementioned appetite statements as follows:
- Tolerance level for risks with a low appetite must range from 1 to 4;

- Tolerance level for risks with a moderate appetite must range from 5 to 10; and

- Tolerance level for risks with a high appetite must range from 11 to 16.

ROLE AND RESPONSIBILITIES

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

RISK MANAGEMENT OVERSIGHT
Council

The Council of BWM takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the organisation against significant risks which will include the following:
  ▸ ensuring that the Municipal strategy and objectives are aligned to the government mandate and community's priorities;

  ▸ insisting on the achievement of objectives, effective performance management and value for money.

  ▸ understand the Municipality's risk profile;

  ▸ being aware of and concurring with the Municipality's risk appetite;

- understanding the priority risks, especially those where Council can play a role in risk mitigation without interfering with the mandate of the Accounting Officer;

- obtaining assurance from management that the Municipality's strategic choices were based on a rigorous assessment of risk;

- obtaining assurance that priority risks inherent in the Municipality's strategies were identified and assessed, and are being properly managed;

- assisting the Accounting Officer with fiscal, intergovernmental, political and other risks beyond his/her control and influence.

- Accounting Officer / HODs / considering the inputs and recommendations of the Audit Committee and Risk Management Committee that approves:

    - The fraud & risk management framework, policy and strategy;

    - The integrity management framework

    - The fraud & risk management implementation plan

    - risk appetite framework

- devoting personal attention to overseeing management of the priority risks;

- leveraging the Audit Committee, Internal Audit, Auditor-General and Fraud & Risk Management Committee for assurance on the effectiveness of risk management;

- ensuring appropriate action in respect of the recommendations of the Audit Committee, Internal Audit, Auditor-General and Fraud & Risk Management Committee to improve risk management; and

- providing assurance to relevant stakeholders that priority risks are properly identified, assessed and mitigated.

Audit & Performance Audit Committee (APAC)

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

- evaluate the effectiveness of Internal Audit in the discharging of its responsibilities for risk management.

- review the risk management framework for identifying, assessing, monitoring and managing significant risks;

- review the Top risk register and FRP risk register, including the report of significant changes to the Municipality's Top risk register;

- review the report on risk management culture of the Municipality;

- evaluate whether risk management is carried out in a manner that really benefits the Municipality;

- assess and contribute to the internal audit planning processes relating to the risks of the Municipality;

- review and recommend disclosures on matters of risk in the annual financial statements;

- review and recommend disclosures on matters of risk and risk management in the annual report;

- provide regular feedback to the Council and the Municipal Manager on the adequacy and effectiveness of risk management in the Municipality, including recommendations for improvement; and

- satisfy itself that it has appropriately addressed the following risks:

- financial reporting risks, including the risk of fraud;

- risk of internal financial controls failure; and

- IT risks as they relate to financial reporting.

Fraud and Risk Management Committee

The Fraud and Risk Management Committee is appointed by the Accounting Officer to assist management to discharge their responsibilities for risk management. The Committee's role is to review the risk management progress and maturity of the organization, the effectiveness of risk management activities, the key risks facing the organization, and the responses to address these key risks. The responsibilities of the Fraud and Risk Management Committee are formally defined in its charter and will include the following:

- review and recommend for the Approval of the Accounting Officer, the:

  - fraud & risk management framework, policy and strategy

  - fraud & risk management implementation plan;

  - integrity management framework;

  - risk appetite framework;

- evaluate the extent and effectiveness of integration of the risk management framework within the Municipality;

- evaluate the effectiveness of the mitigating strategies implemented to address the priority risks of the Municipality;

- review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;

- develop key performance indicators for its own performance for approval by the Accounting Officer;

- collaborate with the Audit Committee on all matters concerning risks and risk management; and

- provide timely and useful reports to the Accounting Officer and Audit Committee on the state of risk management, together with recommendations to address any deficiencies identified.

RISK MANAGEMENT IMPLEMENTERS

Accounting Officer

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

Management

Management is responsible for managing their risks and opportunities and for integrating risk management into the operational Routines. Some of the responsibilities include:
- empowering officials to perform effectively in their risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;

- aligning the functional risk management methodologies and processes with the Municipal process;

- devoting personal attention to overseeing the management of priority risks within their area of responsibility;

- maintaining a co-operative relationship with the Risk Management Unit;

- providing risk management reports;

- reporting to the Risk Management and Audit Committees as may be requested;

- maintaining the proper functioning of the control environment within their area of responsibility;

- monitoring risk management within their area of responsibility; and

- holding officials accountable for their specific risk management responsibilities.

Other Officials

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

- applying the risk management processes in their respective functions;

- implementing the delegated action plans to address the identified risks;

- informing their supervisors and/or the Risk Management Unit of new risks and significant changes in risks;

- escalating instances where management of risk is beyond their control; and

- co-operating with other role players in the risk management process and providing information as required.

RISK MANAGEMENT SUPPORT
Chief Risk Officer (As appointed by the AO)
The Chief Risk Officers responsibilities include:

- being responsible for the Risk Management Unit and other delegations by the Accounting Officer;

- working with senior management to develop the Municipality's vision for risk management;

- developing, in consultation with management, the Municipality's risk management framework incorporating, inter alia, the:

  - fraud & risk management framework, policy and strategy;

  - fraud & risk management implementation plan;

  - risk identification and assessment methodology;

  - risk appetite; and

  - risk classification.

- determining, implementing and maintaining effective risk management infrastructure, policies, procedures and processes;

- communicating the Municipality's risk management framework to all stakeholders in the Municipality and monitoring its implementation;

- ensuring that the Audit Committee, Risk Management Committee and senior management are adequately appraised and trained on current and emerging risk management concepts and principles;

- establishing, communicating and facilitating the use of appropriate risk management methodologies, tools and techniques;

- ▸ facilitate training for all stakeholders in their risk management functions;

- ▸ assisting Management with risk identification, assessment and development of response strategies, and monitoring implementation thereof;

- ▸ working with management and staff to establish and maintain effective risk management in their areas of responsibility, including the reform of internal processes and policies to incorporate elements and practice of risk management at the operational/functional level;

- ▸ collating, aggregating, interpreting and analysing the results of risk assessments to extract risk intelligence;

- ▸ reporting risk intelligence to the Accounting Officer, Management and the Fraud and Risk Management Committee;

- ▸ monitoring the Municipality's risk profile, ensuring that major risks are identified and reported upwards;

- ▸ facilitating Municipality-wide risk evaluation and monitoring the capabilities around the management of the major risks;

- ▸ participating with Internal Audit, Management and Auditor-General in developing the combined assurance plan for the Municipality;

- ▸ overseeing the Risk management Unit's participation in the combined assurance process;

- ▸ drafting the risk management disclosures for the annual financial statements and annual report for approval by the Accounting Officer; and

- ▸ continuously driving risk management to higher levels of maturity;

Risk Champions (To be appointed by the AO)

The Risk Champion's responsibilities include:

- ▸ Advocating the culture of change and adopting risk management as a professional discipline to be adopted in everyday management of activities and to strategically influence the current way of doing things which is compliance driven;

- ▸ Educating the stakeholders of the importance of managing risk in dealing with public funds, the responsibility that goes beyond meeting the requirements of meeting the requirements of financial management prescripts but most importantly impacting positively service delivery;

- ▸ Communicating the right message and driving this message to influence behaviour and discipline in getting the basics right. This extends further to ensuring the use of a common risk management language and consistent messages in all communications,

- Informing the users and stakeholders of current demands, need to improve, what to improve and how to improve to leave the legacy that goes beyond compliance but continuous improvement of accountability and service delivery.

RISK MANAGEMENT ASSURANCE PROVIDERS
Internal Audit

Internal audit does not have a primary responsibility for risk management except for evaluating the ERM process and making recommendations related to the improvement of the system. In cases where Internal Auditing and Chief Risk Officer roles are combined, the risk management responsibilities include:

- assisting Management to develop the risk management framework, policy, strategy and implementation plan;

- co-ordinating risk management activities;

- facilitating identification and assessment of risks;

- recommending risk responses to Management; and

- developing and disseminating risk reports.

External Audit

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

POLICY REVIEW

This framework, policy and strategy shall be reviewed annually to reflect the Municipality's current stance on risk management.

REFERENCES

- National Treasuries Risk Management Framework

- COSO ERM 2017