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## WHISTLE BLOWING POLICY



**Toll free: 080 348 2600**

Previous date adopted: Whistle Blowing Policy      24 March 2015      C27/2015

COUNCIL RESOLUTION

## WHISTLE BLOWING POLICY – BREEDE VALLEY MUNICIPALITY (WC025)

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## 1. Introduction

When employees of Breede Valley Municipality and the public realize something is not right within the Municipality, they may not want to express their concerns because they feel that doing so would be disloyal to their colleagues or to the Municipality and they may also hold back in fear, for example fear of harassment or even victimization. Understood correctly, whistleblowing is not about informing in the negative, anonymous sense but rather about raising a concern about a malpractice within Breede Valley Municipality.

Breede Valley Municipality is committed to its Fraud and Corruption Prevention Policy and Response Plan, and also its Code of Ethics and to promote a high standard of honesty, openness and accountability.

## 2. Objectives

The objectives of this policy are to:

- Promote the zero tolerance on criminal and other irregular conduct within Breede Valley Municipality;
- Encourage the reporting of matters that may cause financial or non-financial loss to the Municipality or damage to the Municipality's reputation;
- Provide for the appropriate systems and mechanism for reporting.

## 3. Scope

This policy contains the detailed procedures that need to be followed when Councillors, Municipal Staff Members, Service Providers and Members of the Public want to raise and report serious concerns within Breede Valley Municipality on a confidential basis and without fear of reprisals.

This policy is not a grievance procedure document. There is an existing grievance procedure in place to enable employees to raise grievances relating to their employment. This whistleblowing policy will help Breede Valley Municipality to break the cycle of silence and inaction and minimise fraud and corruption in the municipality.

## 4. Reporting and Complaint Procedures

4.1 It is the responsibility of any recipient of a complaint to promptly report all incidents of fraud, corruption, theft, maladministration and other suspected irregularities of this nature to the attention of the Municipal Manager.

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4.2.4.2 Where an employee is alleged to have committed an act of fraud, corruption, theft, or

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maladministration, the Municipal Manager must institute disciplinary proceedings in terms of the applicable disciplinary procedures, taking into account the employees right to just administrative practice prescribed in the Constitution.

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4.3 Where a councillor is alleged to have committed an act of fraud, corruption, or theft, the Speaker or Council must institute an investigation in terms of section 13 and 14 respectively, of the Code of Conduct for Councillors as contained in the Municipal Systems Act, read with the applicable regulations applicable to said topic.

4.4 As soon as disciplinary hearings concerning charges of fraud, corruption, theft, maladministration and other suspected irregularities of this nature are completed, the outcome must be reported promptly to the Municipal Manager administratively and functionally to the Risk and Ethics Risk, Fraud and Corruption Management Committee.

4.5 The Municipality shall report all instances of prima facie criminal conduct to the appropriate authorities.

4.6 Consistent with section 32 of the MFMA and in terms of the Fraud and Corruption Policy, the Municipal Manager must inform the Executive Mayor, Council, the MEC for Local Government in the Province and the Audit-General South Africa (AGSA), in writing of-

- (a) Any unauthorized, irregular, fruitless and wasteful expenditure incurred by the Municipality; and in terms of the Fraud and Corruption Policy, shall also include serious incidents of fraud, corruption, theft, maladministration and other suspected irregularities of this nature;
- (b) Whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- (c) The steps that have been taken-
  - i. To recover or rectify such expenditure; and
  - ii. To prevent a recurrence of such expenditure.

4.7 The writing off of any unauthorized, irregular, fruitless and wasteful expenditure or any other expenditure incurred as a result of fraud, corruption, theft, maladministration and any other suspected irregularity as irrecoverable, does not prevent criminal or disciplinary proceedings being instituted against a person charged with an offence relating to such expenditure. All legal procedures regulating this type of reporting will be adhered to.

4.8 The Municipality may, in terms of this policy and section 176 (2) of the MFMA, recover such losses or damages incurred by the Municipality. Therefore an employee or councillor, who due

to deliberate or negligent unlawful actions, shall be held liable for the recovery of such financial loss.

4.9 In pursuance of section 4.7 of this policy, the Municipal Manager may utilize the amendments to the Pension Funds Act, which allows an employer, on registration of a criminal docket with the SAPS, to request the pension fund to freeze the employee's or the councillor's benefit payments who has been allegedly involved in financial misconduct, pending finalization of the criminal prosecution. Due process in this regard will be followed at all times.

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4.10 , if the employee or councillor is convicted, any losses caused by the employee or councillor shall be deducted from the benefits due to the employee or councillor concerned or shall be recovered from the assets owned by the person concerned.

4.11 Council, must take all reasonable steps to ensure that cases that are referred to in section 6.7 are reported to the SAPS if –

- (a) the charge is against the Municipal Manager
- (b) the Municipal Manager fails to comply with that section.

4.12 Consistent with section 171(4) of the MFMA, the Municipality shall institute an investigation regarding allegations of financial misconduct against the Municipal Manager, the CFO, any senior manager or other official of the Municipality, unless those allegations are frivolous, vexatious, speculative or obviously unfounded; and

4.13 If the investigation warrants such a step, Council shall institute disciplinary proceedings against the Municipal Manager, the CFO or any other senior manager in accordance with the Disciplinary Code and Procedures for Senior Managers (Notice 1568 of 2009) and Local Government: Municipal Finance Management Act, 2003 (Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, Notice 37699 of 2014).

4.14 The Municipality shall also investigate allegations of financial misconduct involving any councillors; such allegations shall be dealt with in terms of the breaches of the Code of Conduct for Councillors as stipulated in schedule 1 of the Systems Act and the Municipality's Rules of Conduct for Councillors.

4.15 The Municipality will respond to all concerns and allegations. The investigation of concerns and allegations isare not the same as either accepting or rejecting them.

4.16 In order to protect individuals and those accused of misdeeds or possible malpractices, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take.

4.17 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, then this will be taken before any investigation is conducted.

4.18 Concerns may be raised verbally or in writing. Those who wish to make a written report are invited to use the following format:

- the background and history of the complaint (giving relevant dates);
- the reason why they are particularly concerned about the situation;
- the extent to which they have personally witnessed or experienced the problem (provide documented evidence where possible).

4.19 The earlier they express the concern the easier it is to take action. Although employees are not expected to prove beyond doubt the truth of an allegation, they will need to demonstrate to the person contacted that there are reasonable grounds for their complaint.

4.20 Employees may wish to consider discussing their complaint with a colleague first and they may find it easier to raise the matter if there are two (or more) of them who have had the same experience or concerns. They may invite their trade union representative or a friend to be present during any meetings or interviews in connection with the concerns they have raised.

4.21 Should members of the public, employees and councilors wish to report allegations, they can contact the Municipal Manager, Directors or Manager: Integrated Risk Management.

Contact details:

- Toll free Hotline: 080 348 2600 (This process guarantees a person to remain anonymous) or
- **Tel:** +27 23 348 2600,
- Completed complaint forms to be posted: Civic Centre, Baring Street, Private Bag X3046, Worcester, 6849, South Africa.

4.22 All complaints implicating the Enterprise Risk Management and Internal Audit Units should be reported to the Accounting Officer.

4.23 Members of the public, employees and councilors can also contact the national public service hotline number at 0800 701 701.

#### **5. Protection of Whistle Blowers**

Breede Valley Municipality is committed to good practice and high standards and wants to be supportive of employees and members of the public. The Municipality recognizes that the decision to report a complaint can be a difficult one to make.

If what they are saying is true, they should have nothing to fear because they will be doing their duty to their employer and those for whom they are providing a service, or as a citizen.

This policy contains a number of safeguards:

5.1 The Municipality will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect anyone who raises a concern in good faith.

5.2 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that may already affect a member of staff.

5.3 The Municipality will do its best to protect their identity if they raise a concern and do not want their name to be disclosed. However, it must be appreciated that the investigation process may reveal the source of information and a statement may be required as part of the evidence.

5.4 Allegations / Complaints can be made anonymously; however it should be noted that such cases can be more difficult to investigate. The likelihood of action will mainly depend on the seriousness of the issue raised and the credibility of the allegation / complaint.

5.5 No action will be taken against whistle blowers if allegations are made in good faith.

5.6 The Protected Disclosures Act was promulgated to facilitate reporting by employees (whistle blowers) of fraud, corruption or other unlawful or irregular actions by their employer(s) or co-employees without fear of any discrimination or reprisal by their employers or co-employees.

5.7 The Municipality recognizes that employees or councillors will be concerned about potential victimization, recrimination and even threats to their personal safety as a consequence of disclosing such fraudulent and/or corrupt activities. The Municipality shall provide measures to protect the information and the identity of the person (when such protection is required).

5.8 However malicious and/or false allegations may result in disciplinary action and/or police investigation against the whistle blower.

#### **6. Awareness**

The Accounting Officer and Council recognize that the continuing success of the Whistle Blowing Policy, and its credibility, will depend largely on the effectiveness of staff throughout

the organisation and the public. In order to be sustainable, continuous awareness campaigns must be rolled throughout Breede Valley Municipality.

#### **7. Review and Approval of the Policy**

The ~~Risk and Ethics~~ Risk, Fraud and Corruption Management Committee (RFACMCO), must review this policy every three (3) years, and determine its adequacy and effectiveness for current circumstances and recommend to Council for approval.

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Final 2019



# ENTERPRISE RISK MANAGEMENT STRATEGY

*'n Unieke en sorgsame vallei van uitmuntende diens, geleenthede en groei.*

*Intlambo ekhethekileyo nenkathalo, egqwesayo kuniko-zinkonzo, ivulela amathuba kwaye iphuhlise.*

*A unique and caring valley of service excellence, opportunity and growth.*

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# ENTERPRISE RISK MANAGEMENT STRATEGY

Previous date adopted: Enterprise Risk Management Strategy

27 June 2016

C36/2016

**COUNCIL RESOLUTION:**

[No date for 2017-2018.](#)

[No date for 2018-2019.](#)

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# ENTERPRISE RISK MANAGEMENT STRATEGY

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*Risk Management Strategy is an integrated business process that incorporates all of the Risk Management processes, activities, methodologies and policies adopted and carried out in an organization.*

## **1. Introduction**

The risk management strategy outlines the plan on how the Municipality will go about implementing its risk management policy. This strategy is designed to provide all the role players with information to enable them to fully understand the roles and responsibilities of their office in terms of risk management and to effectively discharge such roles and responsibilities.

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## 2. Roles and Responsibilities

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

### **Executive Authority (Council)**

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

Ref.	Activity	Frequency
1.	Determine the levels of risk appetite with guidance from the Accounting Officer (Municipal Manager); Manager: Integrated Risk Management; and the <a href="#">Risk and Ethics Management Committee Risk, Fraud and Corruption Management Committee</a>	Every three (3) years
2.	Approve the risk management policy by council resolution;	Every three (3) years
3.	Approve the risk management strategy by council resolution;	Annually
4.	Approve the fraud prevention policy by council resolution;	Every three (3) years
5.	Approve the fraud prevention strategy by council resolution;	Annually
6.	Ensure that management implements, monitors and evaluates performance through the <a href="#">Risk and Ethics Management Committee Risk, Fraud and Corruption Management Committee</a> reports;	Annually

## Enterprise Risk Management Strategy

7.	Ensure that assurance regarding the effectiveness of the Enterprise Risk Management process is received from the <a href="#">Risk and Ethics Management Committee</a> <a href="#">Risk, Fraud and Corruption Management Committee</a> .	Quarterly
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### Audit Committee

The Audit Committee is vital to, among other things, ensure that financial, IT and fraud risk related to financial reporting are identified and managed. To fulfil its mandate with regard to Enterprise Risk Management, the Audit Committee must:

Ref.	Activity	Frequency
1.	Formally define its responsibility with respect to risk management in its charter;	Annually
2.	Meet on a quarterly basis (minutes of the <a href="#">Risk and Ethics Management Committee</a> <a href="#">Risk, Fraud and Corruption Management Committee</a> meeting should be a standard agenda item at these meetings);	Quarterly
3.	Review and recommend disclosures on matters of risk in the annual report;	Annually
4.	Include statements regarding risk management performance in the annual report to stakeholders;	Annually
5.	Provide an independent and objective view of the Municipality's risk management effectiveness;	Annually
6.	Evaluate the effectiveness of Internal Audit in its responsibilities for risk management; and	Annually
7.	Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities;	Ongoing
8.	Review the internal and external audit plans and ensure that these plans address the risk areas of the Municipality; and	Annually

Risk, Fraud and Corruption Management Committee

The ~~Risk and Ethics Management Committee~~Risk, Fraud and Corruption Management Committee is appointed by the Council to assist the Municipal Manager in discharging his/her duties. To fulfil its mandate the ~~Risk and Ethics Management Committee~~Risk, Fraud and Corruption Management Committee must:

Ref.	Activity	Frequency
1.	Formally define its roles and responsibilities with respect to risk management in its policies;	Annually
2.	Meet on a regular basis;	Quarterly
3.	Review and recommend for the approval of the Council, the risk appetite;	Every three (3) years
4.	Review and recommend for the approval of the Council, the risk management policy;	Every three (3) years
5.	Review and recommend for the approval of the Council, the risk management strategy;	Annually
6.	Review and recommend for the approval of the Municipal Manager, the risk management implementation plan;	Annually
7.	Review and recommend for the approval of the Council, the fraud prevention policy;	Every three (3) years
8.	Review and recommend for the approval of the Council, the fraud prevention strategy;	Annually
9.	Review and recommend for the approval of the Municipal Manager, the fraud prevention implementation plan;	Annually
10.	Arrange for top risks to be formally re-evaluated;	Annually
11.	Advise council on how to improve management of the municipalities risks;	Annually
12.	Review risk management progress within the Municipality;	Quarterly
13.	Provide a timely and useful ERM report to the Municipal Manager and Audit Committee. The report should contain	Quarterly

	<p>the state of ERM within the Municipality accompanied by recommendations i.e.</p> <ul style="list-style-type: none"> <li>the key strategic risks facing the Municipality (All extreme and high inherent risk exposures);</li> <li>the key operational risks per directorate/department (minimum the top 10 identified risks);</li> <li>any risk developments(changes) / incidents / losses; and recommendations to address any deficiencies identified.</li> </ul>	
14.	measure and understand the Municipality's overall exposure to IT risks and ensure that proper processes are in place;	Quarterly
15.	review the risk registers/ dashboard at each meeting and update the register's contents to reflect any changes without formally reassessing the risks; and	Quarterly
16.	Provide guidance to the Municipal Manager, Manager: Integrated Risk Management and other relevant risk management stakeholders on how to manage risks to an acceptable level.	Ongoing

#### Accounting Officer (Municipal Manager)

The Accounting Officer is ultimately responsible for ERM and is accountable for the overall governance of risk within the Breede Valley Municipality. To fulfil its mandate with regard to Enterprise Risk Management, the Municipal Manager must:

Ref.	Activity	Frequency
1.	Appoint a Manager: Integrated Risk Management and/or Risk Champions;	As required
2.	Review and recommend to Council for <a href="#">the approval of the Risk and Ethics Management Committee</a> <a href="#">Risk, Fraud and Corruption Management Committee</a> Terms of Reference;	Every three (3) years
3.	Review and recommend to Council for approval the risk appetite;	Every three (3) years

## Enterprise Risk Management Strategy

4.	Review and recommend to Council for approval the risk management policy;	Every three (3) years
5.	Review and recommend to Council for approval the risk management strategy;	Annually
6.	Approve the risk management and fraud prevention implementation plan;	Annually
7.	Review and recommend to Council for approval the fraud prevention policy;	Every three (3) years
8.	Review and recommend to Council for approval the fraud prevention strategy;	Annually
9.	Ensure appropriate action in respect of recommendations of the Audit Committee, Internal Audit, External Audit and <a href="#">Risk and Ethics Management Committee</a> <a href="#">Risk, Fraud and Corruption Management Committee</a> to improve ERM; and	Annually
10.	Provide assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated by reviewing the report issued by the <a href="#">Risk and Ethics Management Committee</a> <a href="#">Risk, Fraud and Corruption Management Committee</a> which should contain the state of ERM within the Municipality accompanied by recommendations i.e. <ul style="list-style-type: none"> <li>• The key strategic risks facing the Municipality (All extreme and high inherent risk exposures);</li> <li>• The key operational risks per directorate / department (minimum the top 10 identified risks);</li> <li>• Any risk developments (changes) / incidents / losses; and recommendations to address any deficiencies identified.</li> </ul>	<a href="#">Quarterly</a> <a href="#">Annually</a>

### Internal Audit

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

Ref.	Activity	Frequency
1.	Provide assurance on the Enterprise Risk Management process design and its effectiveness;	Annually
2.	Provide assurance on the management of "key risks" including, the effectiveness of the controls and other responses to the "key risks";	Annually
3.	Provide assurance on the assessment and reporting of risks and controls; and	Annually
4.	Prepare a rolling three (3) year strategic Internal Audit plan and a one (1) year operational Internal Audit plan based on its assessment of key areas of risk.	Annually

#### Management

Management is accountable for designing, implementing, monitoring and integrating Enterprise

Ref.	Activity	Frequency
1.	Empower officials to perform effectively in their risk management responsibilities;	Ongoing
2.	Devote personal attention to overseeing the management of key risks within their area of responsibility;	Ongoing
3.	Maintain a co-operative relationship with the Manager: Integrated Risk Management and Risk Champions;	Ongoing

## Enterprise Risk Management Strategy

4.	Draft a risk management report for submission to the <a href="#">Risk and Ethics Management Committee</a> <a href="#">Risk, Fraud and Corruption Management Committee</a> ; This will focus on the following: <ul style="list-style-type: none"> <li>• the operational risks per directorate / department (approximately top 10 identified risks); and</li> <li>• any risk developments (changes) / incidents / losses.</li> </ul>	Quarterly
5.	Report to the <a href="#">Risk and Ethics Management Committee</a> <a href="#">Risk, Fraud and Corruption Management Committee</a> regarding the performance of internal controls for those risks in the operational risk registers.	Quarterly
6.	Maintain the proper functioning of the control environment within their area of responsibility;	Ongoing
7.	Continuously monitor the implementation of risk management within their area of responsibility; and	Ongoing
8.	Hold officials accountable for their specific risk management responsibilities.	Ongoing
9.	Report events of risks to the Manager: Integrated Risk Management	Ongoing

### Manager: Integrated Risk Management

The primary responsibility of the Manager: Integrated Risk Management is to bring his/her specialist expertise to assist the Municipality to embed risk management and leverage its

Ref.	Activity	Frequency
1.	Assist the Municipal Manager determine/review the risk appetite (for Council approval);	Every three (3) years

## Enterprise Risk Management Strategy

2.	Draft and/or review the risk management policy;	Every three (3) years
3.	Draft and/or review the risk management strategy;	Annually
4.	Draft the risk management implementation plan;	Annually
5.	Draft and/or review the fraud prevention policy;	Every three (3) years
6.	Draft and/or review the fraud prevention strategy and response plan;	Annually
7.	Draft the fraud prevention implementation plan;	Annually
8.	Coordinate and facilitate the assessments;	As per the Implementation Plan
9.	Consolidate risks identified by the various Risk Champions;	As per the Implementation Plan
10.	Prepare Enterprise Risk Management registers, reports and dashboards for submission to the <a href="#">Risk and Ethics Management Committee</a> <a href="#">Risk, Fraud and Corruption Management Committee</a> and other roles players;	As per the Implementation Plan
11.	Ensure that all risk information is updated;	As per the Implementation Plan
12.	Ensure that all IT, Fraud and OHS risks are considered as part of the Municipality's ERM activities;	As per the Implementation Plan
13.	Coordinate the implementation of action plans;	As per the Implementation Plan
14.	Ensure that risk assessments are performed and reported to the <a href="#">Risk and Ethics Management Committee</a> <a href="#">Risk, Fraud and Corruption Management Committee</a> ; and	<a href="#">Quarterly</a> <a href="#">Annually</a>

## Enterprise Risk Management Strategy

15.	Avail the approved risk registers to Internal Audit on request.	Annually
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### Risk Champion

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

Ref.	Activity	Frequency
1.	Facilitate all operational risk assessments;	As per the Implementation Plan
2.	Ensure that each key risk has a nominated risk owner;	As per the Implementation Plan
3.	Ensure that all risk information is updated;	As per the Implementation Plan
4.	Co-ordinate the implementation of action plans for the risk and report on any developments regarding the risk; and	As per the Implementation Plan
5.	Report events of risks to the Manager: Integrated Risk Management	Ongoing

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

Ref.	Activity	Frequency
1.	Take the time to read and understand the content in the risk management policy but more importantly their roles and responsibilities in the risk management process;	Ongoing
2.	Apply the risk management process in their respective functions;	Ongoing
3.	Inform their supervisors and/or the risk management unit (Manager: Integrated Risk Management) of new risks and significant changes;	Ongoing
4.	Co-operate with other roles players in the risk management process; and	Ongoing
5.	Provide information as required.	Ongoing
6.	Report events of risks to the Risk Champions / Line Managers and/or the Manager: Integrated Risk Management	Ongoing

### 3. Internal Environment

The Municipality's internal environment is the foundation of all other components of risk management. There are 10 factors to consider with regard to the internal environment:

- Risk Management Philosophy;
- Risk Appetite;
- Risk Culture;
- Integrity and Ethical Values;
- Commitment to Competence;
- Management's Philosophy and Operating Style;
- Organisational Structure;
- Assignment of Authority and Responsibility;
- Human Resource Policies and Practices;
- Differences in Environment.

#### **Risk Management Philosophy**

The philosophy is the Municipality's beliefs about risk and how it chooses to conduct its activities and deal with risks. It reflects the value the Municipality seeks from risk management and influences how risk management components are applied.

Breede Valley Municipality's risk management philosophy is clearly stated in its risk management policy. Importantly, management reinforces the philosophy not only with words but with everyday actions and the Manager: Integrated Risk Management will communicate the risk management philosophy effectively with the Municipality to ensure that all personnel understand the Municipality's commitment to risk management.

#### **Risk Appetite**

Risk appetite is the amount of risk the Municipality is willing to accept in pursuit of value. The risk appetite is directly related to a Municipality's strategy. It is considered in strategy setting,

where the desired return from a strategy should be aligned with the Municipality's risk appetite. Breede Valley Municipality's risk appetite and risk tolerance is clearly stated in the risk management policy.

**Risk Culture**

Risk culture is the set of shared attitudes, values and practices that characterise how the Municipality considers risk in its day-to-day activities. Management considers how its risk culture affects and aligns with other elements of risk management.

Where misalignment exists, management may take steps to reshape the culture perhaps by rethinking its risk philosophy and risk appetite or how it applies risk management.

**Integrity and Ethical Values**

Management integrity is a prerequisite for ethical behaviour in all aspects of the Municipality's activities. Because the Municipality's good reputation is so valuable, the standard of behaviour must go beyond mere compliance with law. Integrity and ethical values are essential elements of the environment, affecting the design, administration and monitoring of other risk management components. Establishing ethical values is often difficult because of the need to consider the concerns of several parties.

Management values must balance the concerns of Breede Valley Municipality, employees, suppliers and the public. Ethical behaviour and management integrity are by-products of the corporate culture, which encompasses ethical and behavioural standards and how they are communicated and reinforced. Ethical values are not only communicated but also accompanied by explicit guidance regarding what is right and wrong.

**Commitment to Competence**

Competence reflects the knowledge and skills needed to perform assigned tasks. Management decides how well these tasks need to be accomplished weighing the Municipality's strategy and objectives against plans for strategy implementation and achievement of the objectives. Management specifies the competency levels for particular jobs and translates those levels into required knowledge and skills. The necessary knowledge and skills in turn may depend on individuals' intelligence, training and experience.

**Managements Philosophy and Operating Style**

Management's philosophy and operating style affect the way the Municipality is managed, including the kinds of risks accepted. The attitude and daily operating style of top management affect the extent to which actions are aligned with risk philosophy and appetite. For example, an undisciplined operating style often is associated with and might encourage an appetite for high risk. An effective environment does not require that risks be avoided; rather it reinforces the need to be knowledgeable about the risks associated with strategic choices and the Municipality's operating environment, both internal and external.

**Organisational Structure**

An organisational structure provides the framework to plan, execute, control and monitor activities.

A relevant organisational structure includes defining key areas of authority and responsibility and establishing appropriate lines of reporting.

For example, an internal audit function should be structured in a manner that achieves organisational objectivity and permits full and unrestricted access to top management and the audit committee, and the chief audit executive should report to a level within the Municipality that allows the internal audit activity to fulfil its responsibilities.

An organisational structure is developed to suit an institution's needs. The appropriateness of an organisational structure depends, in part, on the Municipality's size and the nature of its activities.

**Assignment of Authority and Responsibility**

A critical challenge is to delegate only to the extent required to achieve objectives. This means ensuring that risk acceptance is based on sound practices for risk identification and assessment, including sizing risks and weighing potential losses versus gains in arriving at good business decisions. Another challenge is ensuring that all personnel understand the Municipality's objectives. It is essential that individuals know how their actions interrelate and contribute to achievement of the objectives.

**Human Resource Policies and Practices**

Human resource practices pertaining to hiring, orientation, training, evaluating, counselling, promoting, compensating and taking remedial actions send messages to employees regarding expected levels of integrity, ethical behaviour and competence. For example, standards for hiring the most qualified individuals, with emphasis on educational background, prior work experience, past accomplishments and evidence of integrity and ethical behaviour, demonstrate a Municipality's commitment to competent and trustworthy people.

It is essential that employees be equipped to tackle new challenges as issues and risks throughout the Municipality change and become more complex driven in part by rapidly changing technologies and increasing competition. Hiring competent people and providing one-time training are not enough. The education process is on-going.

**Differences in Environment**

The internal environment of an institution's autonomous subsidiary, divisions and other units can vary widely due to differences in senior operating management's preferences, value judgments and management styles.

Since operating units often are managed in different ways, it is unlikely their internal environments will be the same. It is important, therefore, to recognise the effect that varying internal environments can have on other risk management framework components. The impact of an ineffective internal environment could be far-reaching, possibly resulting in financial loss, a tarnished public image or a business failure.

## 4. 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.

There are 5 factors to consider with regard to objective setting:

- Strategic Objectives;
- Related Objectives;
- Selected Objectives; and
- Risk Appetite and Risk Tolerance.

### **Strategic Objectives**

The Municipality's mission sets out in broad terms what the Municipality aspires to achieve. From this, management sets its strategic objectives, formulates strategy and establishes related objectives for the Municipality. Strategic objectives are high-level goals, aligned with and supporting the Municipality's mission/vision. Strategic objectives reflect management's choice as to how the Municipality will seek to create value for its stakeholders.

### **Related Objectives**

Establishing the right objectives that support and are aligned with the selected strategy, relative to all the Municipality's activities, is critical to success. By focusing first on strategic objectives and strategy, a municipality is positioned to develop related objectives at operational levels, achievement of which will create and preserve value.

Objectives need to be readily understood and measurable. Breede Valley Municipality's risk management requires that personnel at all levels have a requisite understanding of the Municipality's objectives as they relate to the individual's sphere of influence.

All employees must have a mutual understanding of what is to be accomplished and a means of measuring what is being accomplished.

There are three (3) categories of related objectives:

**Operational Objectives** - These pertain to the effectiveness and efficiency of the Municipality's operations, including performance and profitability goals and safeguarding resources against loss.

**Reporting Objectives** – These pertain to the reliability of reporting. They include internal and external reporting and may involve financial or non-financial information.

**Compliance Objectives** – These pertain to adherence to relevant laws and regulations.

#### **Selected Objectives**

As part of risk management, management ensures that the Municipality has selected objectives and considered how they support the Municipality's strategy and mission/vision. The Municipality's objectives should also align with the Municipality's risk appetite. Misalignment could result in the Municipality not accepting enough risk to achieve its objectives or, conversely, accepting undue risks.

#### **Risk Appetite and Risk Tolerance**

Frequently, the terms risk appetite and risk tolerance are used interchangeably, although they represent related, but different concepts. Risk appetite is a broad based description of the desired level of risk that the Municipality will take in pursuit of its mission. Risk tolerance reflects the acceptable variation in outcomes related to specific performance measures linked to objectives the Municipality seeks to achieve.

## 5. 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. There are 5 factors to consider with regard to event identification:

- Factors Influencing Strategy and Objectives;
- Methodologies and Techniques;
- Event Inter-dependencies;
- Event Categories; and
- Risks and Opportunities.

### Factors Influencing Strategy and Objectives

A myriad of external and internal factors influences how events could potentially affect strategy implementation and achievement of objectives. As part of risk management, personnel recognize the importance of understanding external and internal factors and the type of events that can emanate there from. Management considers current factors, as well as those that may occur in the future.

The table below lists the internal and external factors:

Internal	External
Infrastructure	Economic and Business
Personnel	Natural environment
Process	Political
Technology	Social
	Technological

**Methodologies and Techniques**

Event identification methodology may comprise a combination of techniques, together with supporting tools. For instance, management may use interactive group workshops as part of its event identification methodology, with a facilitator employing a variety of technology-based tools to assist participants.

Event identification techniques look to both the past and the future. Techniques that focus on past events and trends consider such matters as payment default histories, changes in commodity prices and lost time accidents. Techniques that focus on future exposures consider such matters as exposure to shifting demographics, new market conditions and competitor actions.

**Event Inter-dependencies**

Events do not occur in isolation. One event can trigger another, and events can occur concurrently. In event identification, management should understand how events interrelate. By assessing the interrelationships, one can determine where risk management efforts are best directed. For example, a change to a central bank interest rate affects foreign exchange rates and, in turn, a company's currency transaction gains and losses.

**Event Categories**

It may be useful to group potential events into categories. By aggregating events horizontally across the Municipality and vertically within operating units, management develops an understanding of the interrelationships between events, gaining enhanced information as a basis for risk assessment. By grouping together similar potential events, management can better determine potential opportunities and risks. Event categorisation also allows management to consider the completeness of its event identification efforts.

**Risk and Opportunities**

Events may have a negative impact, a positive impact or both. Events with a potentially negative impact represent risks, which require management's assessment and response. Accordingly, risk is the possibility that an event will occur and adversely affect the achievement of objectives. Events with a potentially positive impact represent opportunities, or offset the negative impact of risks.

Events representing opportunities are channelled back to management's strategy or objective-setting processes, so that actions can be formulated to seize the opportunities. Events potentially offsetting the negative impact of risks are considered in management's risk assessment and response.

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## 6. Risk Assessment

In risk assessment, management considers the mix of potential future events relevant to the Breede Valley Municipality and its activities.

This entails examining factors including the Municipality's size, complexity of operations and degree of regulation over its activities that shape the Municipality's risk profile and influence the methodology it uses to assess risks.

This strategy is also underpinned by a fraud risk assessment. The fraud risk assessment is completed according to the same process as the other risk assessments.

However, the Municipality may wish to integrate the fraud risk evaluation together with the other risk profiles or to separately complete a fraud risk assessment. The fraud risk information will need to be categorised in order to develop and maintain the fraud prevention plan.

### **Inherent and Residual Risk**

Management considers both inherent and residual risk. Inherent risk is the risk to the Municipality in the absence of any actions management might take to alter either the risk's likelihood or impact. Residual risk is the risk that remains after management responds to the risk. Risk assessment is applied first to inherent risks. Once risk responses have been developed, management then uses risk assessment techniques in determining residual risk.

### **Impact and Likelihood**

Uncertainty of potential events is evaluated from two perspectives likelihood and impact. Likelihood represents the possibility that a given event will occur, while impact represents its effect. Likelihood and impact are commonly used terms, although some institutions use terms such as probability, and severity or consequence.

## 7. Risk Response

### Identifying Risk Responses

Risk responses fall within the following four categories:

- **Avoidance** – Action is taken to exit the activities giving rise to risk. Risk avoidance may involve exiting a product line, declining expansion to a new geographical market, or selling a division. Example The best way to avoid flood risk is to locate the development outside areas of Flood Zones.
- **Reduction** – Action is taken to reduce the risk likelihood or impact, or both. This may involve any of a myriad of everyday business decisions.
- **Sharing** – Action is taken to reduce risk likelihood or impact by transferring or otherwise sharing a portion of the risk. Common risk sharing techniques include purchasing insurance products, pooling risks, engaging in hedging transactions, or outsourcing an activity.
- **Accept** – No action is taken to affect likelihood or impact.

### Evaluating Possible Risk Responses

Inherent risks are analysed and responses evaluated with the intent of achieving a residual risk level aligned with the Municipality's risk tolerances.

Any of several responses may bring residual risk in line with risk tolerances, and sometimes a combination of responses provides the optimum result. Similarly, certain responses will affect the risk of multiple potential events.

Because risk responses may address multiple risks, management may discover that additional actions are not warranted. Existing procedures may be sufficient or may need to be performed better. Accordingly, management considers how individual responses, or combinations of responses, interact to affect potential events.

**Evaluating Effect of Response on Likelihood and Impact**

In evaluating response options, management considers the effect on both risk likelihood and impact, and understands that a response might affect likelihood and impact differently. The potential response to assessment of likelihood and impact may consider past events and trends, and potential future scenarios. In evaluating alternative responses, management determines their potential effect typically using the same units of measure for the objective and associated risks as established in the risk assessment component.

## 8. Control Activities

Control activities are policies and procedures, which are the actions of people to implement the policies, to help ensure that management's risk responses are carried out.

### 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.

### Internal Control

Internal control is an integral part of risk management. Control procedures relate to the actual policies and procedures in addition to the control environment that management has established to achieve the department's objectives. Policies and procedures help create boundaries and parameters to authority and responsibility, and also provide some scope of organizational precedent for action.

### Control procedures

Specific control procedures include:

- Reporting, reviewing and approving reconciliations;
- Checking the arithmetical accuracy of records;
- Controlling applications and environment of computer information systems;
- Maintaining and reviewing control accounts and trial balances;
- Approving and controlling documents;
- Comparing internal data with external sources of information;
- Comparing the results of cash, security and inventory counts with accounting records;

- Comparing and analyzing the financial results with budgeted amounts;
- Limiting direct physical access to records.

**Context of control**

The following concepts are important in understanding the nature and context of control:

- Controls should be capable of responding immediately to evolving risks to the core business of the department arising from factors within the department and to changes in the environment;
- The cost of controls must be balanced against the benefits, including the risks it is designed to manage;
- The system of control must include procedures for reporting immediately to appropriate levels of management any significant findings of weaknesses that are identified together with details of corrective action taken;
- Control can help minimize the occurrence of errors and breakdowns, but cannot provide absolute assurance that they will not occur; and
- The system of internal control should be embedded in the operations of the department and form part of its culture.

**Broad internal control focus areas**

Internal controls established in a department should focus on the following areas:

- **Adequate segregation of duties**

Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions and events should be separated among individuals.

- **Custody and accountability for resources**

Access to resources and records are to be limited to authorized individuals who are accountable for their custody or use.

- **Prompt and proper recording and classification of transactions**

To ensure that information maintains its relevance and value to management in controlling operations and decision-making and to ensure that timely and reliable information is available to management.

- **Authorization and execution of transactions**

Requires that employees execute their assigned duties in accordance with directives and within the limitations established by management or legislation.

- **Documentation**

Internal control structures, i.e. policies and procedures, and all transactions and significant events are to be clearly documented.

- **Management supervision and review**

Competent supervision is to be provided, including job descriptions, development plans, review and approval of an employee's work. Employees should be provided with the necessary guidance and training to help ensure that errors, wasteful, and wrongful acts are minimized and that specific management directives are understood and achieved.

In addition, computer controls should be geared towards the following areas:

**Access controls**

Controls should be designed to prevent:

- Unauthorized changes to programs which process data.
- Access to files which store accounting and financial information and application programs.
- Access to computer operating systems and system software programs.
- User-id's and passwords should be used to limit access to programs, data files and software applications.
- Firewalls should be installed to prevent data corruption from unauthorized external access.

Controls should be designed to manage the operation of the system and to ensure that programmed procedures are applied correctly and consistently during the processing of data.

**System Software Programs**

Controls should be designed for programs, which do not process data to ensure that they are installed or developed and maintained in an authorized and effective manner, and that access to system software is limited.

This could be achieved through security over system software, database systems, networks and processing by users on personal computers. There should be support structures, error correction methods and adequate documentation for the systems. Controls should be designed to ensure the continuity of processing, by preventing system interruption or limiting this to a minimum. Controls that should be in place include physical protection against the elements such as fire, water and power.

There should be emergency plan and disaster recovery procedures, provision of alternative processing facilities, backups of data files, maintenance of hardware, adequate insurance, cable protection, uninterruptible power supply, prevention of viruses and personnel controls affecting security and continuity.

**Controls over Information Systems**

With widespread reliance on information systems, controls are needed over significant systems. Two broad groupings of information systems control activities can be used.

The first is general controls, which apply to many if not all application systems and help ensure their continued, proper operation. The second is application controls, which include computerised steps within application software to control the technology application. Combined with other manual process controls where necessary, these controls ensure completeness, accuracy and validity of information.

**General Controls**

General controls include controls over information technology management, information technology infrastructure, security management and software acquisition, development and maintenance. These controls apply to all systems from mainframe to client/server to desktop computer environments.

**Application Controls**

Application controls are designed to ensure completeness, accuracy, authorisation and validity of data capture and processing. Individual applications may rely on effective operation of controls over information systems to ensure that data is captured or generated when needed, supporting applications are available and interface errors are detected quickly. One of the most significant contributions of computers is the ability to prevent errors from entering the system, as well as detecting and correcting them once they are present. To do this, application controls depend on computerised edit checks. These consist of format, existence, reasonableness and other checks on the data that are built into an application during development. When properly designed, they can provide control over entered data.

## 9. Information and Communication

The Municipality identifies and captures information financial and non-financial, relating to external as well as internal events and activities relevant to managing the Breede Valley Municipality. This information is delivered to personnel in a form and timeframe that enable them to carry out their risk management and other responsibilities.

### 9.4 Risk Management Information System

In order to ensure that reports are compiled with, the Risk Management Office is to procure an appropriate ICT tool for use throughout the organization that will achieve the following primary objectives:

- Collate and aggregate (in electronic format) information relating to ERM;
- Provide a management information tool that analyses data entered in order to identify trends, patterns etc.;
- Functionality, as a performance management tool based on risk registers, controls and implementation of actions by risk owners;
- Enable effective monitoring and evaluation of the ERM processes;
- Ensure the integrity of the data and provide an audit trail on actions and omission related to the implementation of the ERM processes; and
- Function as an integrated case management system for the Breede Valley Municipality (BVM);
- The Breede Valley Municipality shall maintain an electronic integrated management system for the assurance providers.

## **10. Monitoring and reporting**

Risk management changes over time. Risk responses that were once effective may become irrelevant; control activities may become less effective, or no longer be performed; or the Municipality's objectives may change. This can be due to the arrival of new personnel, changes in the municipal structure or direction, or the introduction of new processes. Monitoring can be done in two ways: through on-going activities or separate evaluations.

### **10.1 Ongoing Monitoring Activities**

Many activities serve to monitor the effectiveness of enterprise risk management in the ordinary course of running the business. These include regular management and supervisory activities, variance analysis, comparisons, reconciliations and other routine actions.

#### **10.1.1 Separate Evaluations**

While ongoing monitoring procedures usually provide important feedback on the effectiveness of other risk management components, it may be useful to take a fresh look from time to time, focusing directly on risk management effectiveness. This also provides an opportunity to consider the continued effectiveness of the on-going monitoring procedures.

### **10.2 Reporting**

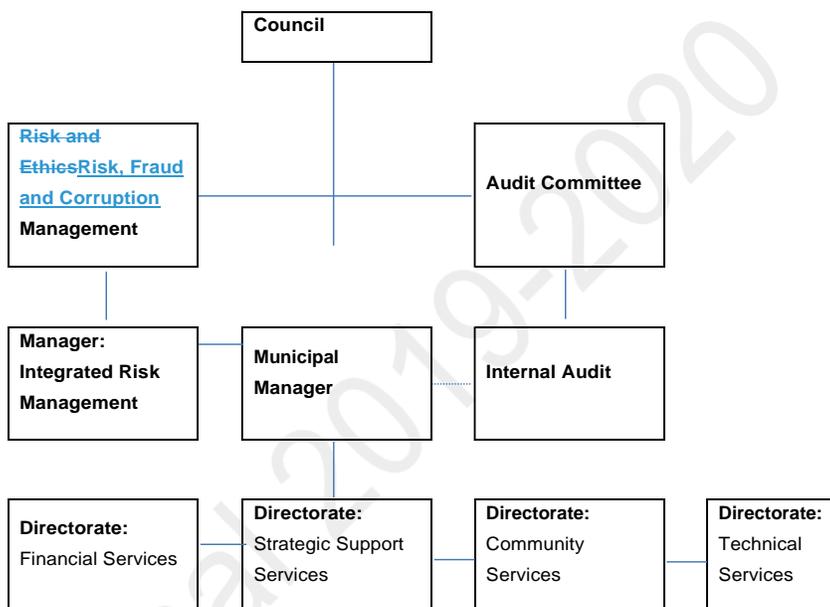
When it gets to reporting on risks and risk management processes, the following questions may arise, but not limited to:

- How does the organisation report on risks?
- Who do they report to?
- How frequently do they report?
- What is the form of the reporting? (i.e. verbally).

Monthly and Quarterly reports should be generated to enable the processes of risk monitoring and the communication of action plans and the risk profiles as appropriate. Regular reporting to the relevant stakeholders, on status of risks and risk management processes within the departments. In order for risk management to work, it must be embedded into the everyday activities of the Municipality. It should be integrated into the reporting process. Risk should be part of every decision that is made, every objective that is set and every process that is

designed. Risk management will be integrated into the reporting process of managers in strategic planning meetings of the directorates / departments that are held.

The structures below set out the reporting lines through which risk management will be reported within the Breede Valley Municipality:



### **Review and approval of the strategy**

The [Risk and Ethics Management Committee](#) [Risk, Fraud and Corruption Management Committee \(RFACMC\)](#) must review this strategy annually and determine its adequacy and effectiveness for current circumstances and recommend to Council for approval.

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# CODE OF ETHICS POLICY

Previous date adopted: Code of Ethics 24 March 2015  
C21/2015

COUNCIL RESOLUTION:

## CODE OF ETHICS POLICY – BREED VALLEY MUNICIPALITY (WC025)

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## 1. INTRODUCTION

The purpose of Breede Valley Municipality's Code of Ethics is to promote an ethical culture within the municipality.

The Constitution of the Republic of South Africa, 1996, makes various calls for ethical behaviour by municipal officials and councillors. Section 195 of the Constitution states that public administration must be conducted with the democratic values and principles enshrined in the Constitution, as expressed in the following statements:

- A high standard of professional ethics must be promoted;
- Efficient, economic and effective use of resources must be promoted;
- Public administration must be development oriented;
- Services must be provided impartially, fairly, equitably and without bias;
- People's needs must be responded to, and the public must be encouraged to participate in policymaking;
- Public administration must be accountable;
- Transparency must be fostered by providing the public with timely, accessible and accurate information;
- Sound human resource management and career development practices designed to maximise human potential must be cultivated;
- Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past in order to achieve broad representation.

Therefore guidance to simplify current working environment have to be created, to ensure that BVM adhere to same values and ethical standards, to promote trust, good behaviour, and fairness among Councillors and staff of Breede Valley Municipality.

The absence of a specific guideline practice or instruction covering a particular situation does not relieve an employee from exercising the highest ethical standards applicable to the circumstances. If any employee has doubts regarding a questionable situation that might arise, that employee should immediately consult his supervisor or higher level.

Ethics is about distinguishing between what is morally right and wrong with the purpose of doing what is right. In an ethical organisation employees will do the right thing for the right reason – not just because the rule says so. Rules and procedures influence individuals' behaviour, but values are what change the culture within the municipality.

## **2. STANDARD OF CONDUCT**

- 2.1 We conduct our operations with honesty, integrity and openness and with respect for the human rights and interests of our employees.
- 2.2 We shall similarly respect the legitimate interests of those with whom we have relationships.
- 2.3 Breede Valley Municipality and employees are required to comply with the laws and regulations of South Africa.
- 2.4 Breede Valley Municipality is committed to diversity in a working environment, where there is mutual trust and respect; and also where everyone feels responsible for the performance and reputation of our municipality.
- 2.5 A zero tolerance to discrimination in terms of race, religion or gender will apply.
- 2.6 We will recruit and employ employees on the sole basis of the qualifications and abilities needed for the work to be performed, subject to the Employment Equity Act.
- 2.7 We are committed to safe and healthy working conditions for all employees; and working with employees to develop, enhance each individual's skills, and capabilities.
- 2.8 We respect the dignity of the individual and the rights of employees to freedom of association.
- 2.9 We will maintain good communications with employees through municipal based information and consultation procedures.
- 2.10 Breede Valley Municipality strives to be a trusted government citizen, and as an integral part of society, to fulfil our responsibilities to the societies and communities in which we operate;
- 2.11 Breede Valley Municipality is committed to making continuous improvements in the management of our environmental impact and to the longer – term the goal of developing a sustainable municipality;
- 2.12 Breede Valley Municipality does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain;
- 2.13 No employee may offer, give or receive any gift or payment which is, or may be construed as being a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management.
- 2.14 Breede Valley Municipality accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

- 2.15 Breede Valley Municipality employees must not seek gain for themselves or others through misuse of their positions;
- 2.16 Assurance of compliance is given and monitored each year by the various oversight committees;
- 2.17 Any breaches of the Code must be reported, also in line with the Whistle Blowing policy;
- 2.18 The Council of Breede Valley Municipality expects employees to bring to their attention, to that of senior management, any breach or suspected breach of these principles.
- 2.19 Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

### **3. CODE OF CONDUCT FOR COUNCILLORS**

Chapter 12, Schedule 1 of the Local Government Municipal Systems Act 32 of 2000, outlines the Code of Conduct for councillors, and this code of conduct applies to every member of a municipal council; also Local Government Municipal Structures Act 117 of 1998, Schedule 5 outlines the Code of Conduct for municipal councillors.

Ethics and good governance are needed to place the South African local government under greater scrutiny and to induce organisations to become more socially responsible and accountable.

### **4. CODE OF CONDUCT FOR STAFF MEMBERS**

Chapter 12, Schedule 2 of the Local Government Municipal Systems Act 32 of 2000, outlines the Code of Conduct for staff members, and this code of conduct applies to every staff member of a municipal council and municipal functionaries.

### **5. BATHO PELE PRINCIPLES**

#### **5.1 Consultation**

We can only assume to know what our customers want. The only way we can find out for certain is by asking them. This can be done through integrated development planning processes, surveys, meetings, suggestion boxes, imbizo's / jumborees and by talking to our customers. It's important to report back to customers so they know what to expect, and to our staff so they know what is expected from us.

#### **5.2 Service Standards**

Citizens should be told about the level and quality of the services they receive. If possible they should be given an opportunity to choose the service they want.

The standards we set are the tools we can use to measure our performance, and therefore need to be realistic depending on available resources. We should also be able to measure these standards so that everyone can see if they are being met.

### 5.3 Access

There is much more involved when referring to access. It means making it easy for our customers to benefit from the services we provide.

Easy access can be made possible by:

- having wheelchair ramps;
- disabled parking bays;
- taking our services out to the community.

Staff attitude may determine how approachable your directorate/department/section is.

### 5.4 Courtesy

We must be polite and friendly to our customers. Customers should be treated with respect and consideration. We must always be willing to assist. Telephone etiquette is vital. All our correspondence must be respectful.

### 5.5 Information

Citizens should be given full accurate information about the public services they are entitled to receive. Information is about reaching all our customers to make sure they are well informed about the services our department provides. This may be done in a number of ways-for example through newspapers, radio, posters and leaflets. It's important to remember that different customers have different needs and they do not all speak the same language.

### 6. Openness and Transparency

We should be open about our day to day activities, how much our departments receive, how that money is spent. This information should be available to the public. Annual reports, strategic plans, service commitment charters, etc must be made available to the public.

We should tell our customers where to complain and how to do it.

### 7. Redress

Redress is making it easy for people to tell us if they are unhappy with our service. We should train staff to deal with complaints in a friendly, helpful manner. An apology, full explanation and

effective, speedy remedy should be offered when the promised standards of service have not been delivered. When complaints are made, we must give our customers a sympathetic ear. Have positive responses to complaints.

**8. Value for Money**

We need to make the best use of available resources. Avoid wastage of time, money, and other resources. It also means eliminating waste, fraud and corruption and finding new ways of improving services at little or no cost.

**9. Encouraging, Innovation, and Rewarding Excellence**

- Innovation: using new ways of doing things.
- Encourage partnerships with different sectors in order to improve service delivery.
- Rewarding Excellence is also about rewarding the staff who "go the extra mile" in making it all happen.

**10. Customer Impact**

If we put all the Batho Pele Principles into practice, we then increase the chances of improvement in our service delivery. This in turn will have a positive impact on our customers. It is about how the nine principles link together to show how we have improved our overall service delivery. Here we look at the benefits we have given to our customers both internally and externally.

**11. Leadership and Strategic Direction**

Our leaders must create an atmosphere which allows for creativity. Management must ensure that goals are set and that planning is done.

**6. ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP - KING IV<sup>th</sup> CODE**

Corporate governance, for the purposes of King IV, is defined as the exercise and effective leadership by the governing body towards the achievement of the following governance outcomes:

- Ethical Culture;
- Good performance;
- Effective control;
- Legitimacy

Ethical and effective leadership should complement and reinforce each other. Ethical leadership is exemplified by integrity, competence, responsibility, accountability, fairness and transparency. It involves the anticipation and prevention, or

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otherwise amelioration, of the negative consequences of the organisation's activities and outputs on the economy, society and the environment and the capitals that it uses and affects.

Effective leadership is results-driven. It is about achieving strategic objectives and positive outcomes. Effective leadership includes, but goes beyond, an internal focus on effective and efficient execution.

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The first principle dealt with in King III under ethical leadership and corporate citizenship is that the Council should provide effective leadership based on an ethical foundation. Good corporate governance is essentially about effective and responsible leadership.

Responsible leadership is categorized by ethical values of responsibility, accountability, fairness and transparency. To provide this, the leadership of the municipality should direct the strategy and operations to build a sustainable business, while doing business ethically and considering the short and long-term impacts of the strategy on the economy, society and the environment and taking into account the company's impact on internal and external stakeholders.

The Council should ensure that the municipality's ethics are managed effectively. Good corporate governance requires that the Council takes responsibility for building and sustaining an ethical corporate culture in the municipality.

Such a culture consists of both formal and informal cultural systems. Selection and reward systems, for example, are elements of formal culture whereas "living" practices and language usage are elements of informal culture. A cultural approach to governing and managing the municipality's ethics would ensure that ethical standards infuse both formal and informal cultural elements.

## **7. ACTS OF MISCONDUCT (GENERAL NOTICE; NOTICE 1568 OF 2009)**

Municipal staff and Council will be guilty of misconduct if he or she (this list is not exhaustive)-

- 7.1 Without permission possesses or wrongly uses the property of the municipality or that of another staff member and / or visitor;
- 7.2 Wilfully, intentionally or negligently damages and or causes loss of municipal property;
- 7.3 Endangers the lives of self or others by disregarding safety rules or regulations;

- 7.4 Prejudices the administration, discipline or efficiency of a municipality, office or institution of the municipality;
- 7.5 Misuses his or her position in the municipality to promote or to prejudice the interest of any political party;
- 7.6 Steals, bribes, or commits fraud;
- 7.7 Accepts any compensation in cash or otherwise from a member of the public or another staff member for performing his or her duties without written approval from the municipal council;
- 7.8 Fails to carry out a lawful order or routine instruction without just or reasonable cause;
- 7.9 Commits an act of sexual harassment;
- 7.10 Discriminates against others on the basis of race, gender, disability, pregnancy, marital status, ethnic and social origin, colour, sexual orientation, age, disability, HIV status, political opinion, or other grounds prohibited by the Constitution;
- 7.11 Performs below the required or established standard for reason other than incapacity;
- 7.12 Without written approval from his or her municipality, performs work for compensation in a private capacity for another person or organisation either during outside working hours;
- 7.13 While on duty, is under the influence of intoxicating illegal, unauthorised, habit forming and/or stupefying drug, including alcohol;
- 7.14 While on duty, conducts himself or herself in an improper disgraceful and unacceptable manner;
- 7.15 Contravenes the Code of Conduct for municipal staff members contained in the schedule 2 of the Municipality Systems Act;
- 7.16 Contravenes the Code of Conduct for councillors contained in the schedule 1 of the Municipality Systems Act and schedule 5 of the Structures Act;
- 7.17 Assaults, or attempts or threatens to assault another staff member or person while on duty;
- 7.18 Displays disrespect towards others in the workplace or demonstrates abusive or insolvent behaviour;
- 7.19 Operates any money lending scheme for employees for own benefit during working hours or from the premises of the municipality;
- 7.20 Carries or keeps a firearm (s) or other dangerous weapon (s) on municipal premises, without the written authorisation of the employing municipality;
- 7.21 Refuses to obey security regulations;
- 7.22 Gives false statements or evidence in the execution of his or her duties;
- 7.23 Falsifies records or any other documentation;
- 7.24 Participates in procedural, unprotected and / or unlawful industrial action;

## **8. INTERGOVERNMENTAL RELATIONS CONDUCT**

In accordance with the Intergovernmental Relations Framework Act No.13 of 2005, Chapter 3:

#### Implementation protocols

35. (1) Where the implementation of a policy, the exercise of a statutory power, the performance of a statutory function or the provision of a service depends on the participation of organs of state in different governments, those organs of state must co-ordinate their actions in such a manner as may be appropriate or required in the circumstances, and may do so by entering into an implementation protocol.

#### (2) An implementation protocol must be considered when-

- (a) the implementation of the policy, the exercise of the statutory power, the performance of the statutory function or the provision of the service has been identified as a national priority;
- (b) an implementation protocol will materially assist the national government or a provincial government in complying with its constitutional obligations to support the local sphere of government or to build capacity in that sphere;
- (c) an implementation protocol will materially assist the organs of state participating in the provision of a service in a specific area to co-ordinate their actions in that area; or
- (d) an organ of state to which primary responsibility for the implementation of the policy, the exercise of the statutory power, the performance of the statutory function or the provision of the service has been assigned lacks the necessary capacity.

#### (3) An implementation protocol must

- (a) identify any challenges facing the implementation of the policy, the exercise of the statutory power, the performance of the statutory function or the provision of the service and state how these challenges are to be addressed;
- (b) describe the roles and responsibilities of each organ of state in implementing policy, exercising the statutory power, performing the statutory function or providing the service;
- (c) give an outline of the priorities, aims and desired outcomes;
- (d) determine indicators to measure the effective implementation of the protocol;
- (e) provide for oversight mechanisms and procedures for monitoring the effective implementation of the protocol;
- (f) determine the required and available resources to implement the protocol and the resources to be contributed by each organ of state with respect to the roles and responsibilities allocated to it;
- (g) provide for dispute-settlement procedures and mechanisms should disputes arise in the implementation of the protocol;
- (h) determine the duration of the protocol; and
- (i) include any other matters on which the parties may agree.

#### (4) An implementation protocol must be-

- (a) consistent with any provisions of the Constitution or national legislation applicable to the relevant policy, power, function or service; and
- (b) in writing and signed by the parties.

(5) Any organ of state may initiate the process for the conclusion of an implementation protocol after consultation with the other affected organs of state.

(6) The implementation of the protocol may be co-ordinate by an appropriate implementation protocol after consultation with the other affected organs of state.

#### Provincial policies and legislation affecting local government

36. (1) When developing provincial policies or draft legislation affecting the local sphere of government in a province, the provincial government must-

- (a) take into account national priorities;
- (b) take into account the interests of local communities in the province; and
- (c) consult the local sphere of government in the province and any specifically affected municipalities.

(2) Consultation in terms of subsection (1) must be appropriately focused and include a consideration of the impact that such policy or legislation might have on the functional, institutional or financial integrity and coherence of government in the local sphere of government in the province.

(3) Provincial intergovernmental forums established in terms of section 16 or 21 must, to the extent that it is practical, be utilized as forums for such consultation.

#### Responsibility for coordinating intergovernmental relations of provinces

37. The Premier of a province is responsible for ensuring the co-ordination of intergovernmental relations within the provincial government with-

- (a) the national government; and
- (b) local governments in the province.

Responsibility for coordinating intergovernmental relations of district municipalities;

38. The mayor of a district municipality is responsible for ensuring the co-ordination of intergovernmental relations within the district municipality with local municipalities in the district.

## **9. CONCLUSION**

Rules and procedures influence individuals' behaviour, but values are what change the culture within the municipality. Adherence to this Code of Ethics by all employees is one of the important ways we can merit the confidence and support of the public.

Organisational integrity by understanding the municipality's policies, procedures, legislation applicable to local government and other legislation would assist the Municipality with achieving its vision of being: "A Unique and Caring Valley of Service Excellence, Opportunity, and Growth"

#### **10. Review and Approval of the Policy**

The Anti-Corruption and Risk, Fraud and Corruption Management Committee (ACRMCRFARMCO), must review this policy every three (3) years, and determine its adequacy and effectiveness for current circumstances and recommend to Council for approval.

# FRAUD AND CORRUPTION PREVENTION STRATEGY AND RESPONSE PLAN

*'n Unieke en sorgsame vallei van uitmuntende diens, geleenthede en groei.*

*Intlambo ekhethekileyo nenkathalo, egqwesayo kuniko-zinkonzo, ivulela amathuba kwaye iphuhlise.*

*A unique and caring valley of service excellence, opportunity and growth.*

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## Fraud and Corruption Prevention Strategy and Response Plan

Previous date adopted: Fraud Prevention Strategy and Response Plan

27 June 2016 C37/2016

**COUNCIL RESOLUTION:**

No date for 2017-2018.

No date for 2018-2019.

**COUNCIL RESOLUTION:**

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# Fraud and Corruption Prevention Strategy and Response Plan

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Final 2019-2020

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*Fraud Prevention can be seen as the cumulative effect of both preventative and detection systems incorporated by management. Detection of fraud can only lead to the prevention thereof if the response thereto acts as the deterrent.*

## 1. Introduction

This fraud and corruption prevention strategy outlines the plan on how the Municipality will go about implementing its fraud and corruption prevention policy. It links closely to the Breede Valley Municipality's Vision and supports its values of openness, honesty and performing to the highest standards. Financial sustainability, maintaining a track record of successive unqualified audits and zero tolerance to fraud and corruption will remain crucial priorities, which then must progress towards clean audit outcomes.

National Government has expressed concern about the state of local governments, and has identified various initiatives to redress the perilous state in which many municipalities across the country find themselves, incl. the following:

- Huge service delivery and backlog challenges (eg. Housing, water and sanitation);
- Poor communication and accountability relationships with communities;
- Problems with political administrative interfaces;
- Corruption and Fraud;
- Poor financial management (eg. negative audit reports);
- Many service delivery protests;
- Weak civil society formations;
- Intra- and inter-political party issues negatively affecting governance and service delivery;
- Insufficient municipal capacity due to scarcity of skills.

Fraud prevention is about changing organisational features that allow fraud to occur and possibly go unnoticed or unreported. Fraud control is an essential element of sound corporate governance and internal risk controls.

Breede Valley Municipality has include the Fraud Response Plan to act as a procedural guide and provide a checklist of the required actions, which must be followed, in the event of a fraud, or attempted fraud, being suspected.

## **2. Objectives**

The objective of this strategy is to covers a wide range of activities from such minor transgressions as the misappropriation of office stationery by a staff member to more serious crimes such as misrepresentations by Senior Management and Councillors to Council, the public and creditors, and misuse of confidential information.

Adherence to this plan will ensure that timely and effective action is taken to prevent further losses, maximise the recovery and minimise losses and the recurrence thereof, identify the fraudsters and maximise the success if any disciplinary/legal action is taken.

### **3. Leadership**

Council and Management must provide policies, procedures and internal controls for Breede Valley Municipality that ensures the public, staff members and government that the municipality promote a responsive, accountable, effective and efficient municipality.

This strategy and response plan is also established to give effect to the various legislative instruments relating to fraud and corruption, as to set down the stance of zero tolerance to fraud and corruption, and to assist internal audit and risk management to reinforce existing policies, systems and procedures.

## **4. Internal Control Activity**

Breede Valley Municipality's aim is to have sound financial systems and procedures which incorporate efficient and effective internal controls. The municipality have to develop and maintain a fraud and corruption prevention hotline that is free to all stakeholders within Breede Valley Municipality.

Control activities are policies and procedures, which are the actions of people to implement the policies, to help ensure that management's risk responses are carried out.

### **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.

### **Internal Control**

Internal control is an integral part of risk management. Control procedures relate to the actual policies and procedures in addition to the control environment that management has established to achieve the department's objectives. Policies and procedures help create boundaries and parameters to authority and responsibility, and also provide some scope of organizational precedent for action.

Legislative compliances checklist should be developed, monitored and maintained. The roles and responsibilities is clearly set out in the Fraud and Corruption Prevention Policy.

This is the most important measure because the risk of processing an irregular transaction is minimised where every transaction is reviewed systematically.

## **5. Preventative Controls**

### **5.1 Promotion of the Code of Conduct for Councillors and Staff Members**

The purpose of a code of conduct as set out in schedule 1 and 2 of the Municipal Systems Act is to guide employees in their day to day activities. The Human Resource Management Department is responsible for the promotion of this code to all staff members and councillors.

### **5.2 Information sessions about Corporate Governance**

The principles of corporate governance need to be adhere to within the Breede Valley Municipality.

The value system of the Municipality be promoted through a Batho Pele Booklet system and pamphlets, newspapers etc. Some of the principles is *inter alia*, the following, but not limited:

- Openness;
- Integrity; and
- Accountability.

These principles apply equally to all public sector entities, irrespective of whether governing bodies are elected or appointed, and whether or not they comprise a group of people or an individual. Therefore, management needs to be aware of these principles and inculcate them to all staff members.

### **5.3 Promotion of the Whistle Blowing Hotline**

The Enterprise Risk Management department is responsible for the management and promotion of the Whistle Blowing mechanisms within the Municipality.

Since one of the possible detection mechanisms available to identify cases of fraud is Whistle Blowing, it is important to inform such officials of their rights as protected by the Protected Disclosure Act No 26 of 2000.

### **5.4 Employee Screening**

Potential new members of staff should be screened before appointment, particularly for posts with financial responsibility. For example:

- References shall cover a reasonable, continuous period; and any gaps should be explained;
- An official employer's reference shall be sought;
- Doubts about the contents of the reference should be resolved before confirming the appointment;
- Relevant qualifications shall be checked before making an offer of employment;
- Recruitment procedures shall require applicants to declare any associations with existing Councillors or staff. Members of recruitment panels shall similarly be required to declare such associations.

#### **5.5 Standard Tender and Contract documentation**

Senior managers involved in the issue of tender and contract documentation shall ensure anti-corruption clauses are included in documentation. This will not strengthen the Municipality's legal position in the event of attempted or actual corruption, because this is covered by legislation. However, it may act as an effective reminder to contractors, suppliers and the Municipality's own employees that selflessness is required in commercial relationships.

The following is an example of an anti-corruption clause for inclusion in standard tender and contract documentation:

*'You shall not give, provide, or offer to our staff and agents any loan, fee, reward, gift (except items of negligible intrinsic value) or any emolument or advantage whatsoever. In the event of any breach of this condition, we shall, without prejudice to any other rights we may possess, be at liberty forthwith to terminate the contract and to recover from you any loss or damage resulting from such termination.'*

#### **5.6 Declaration of Interests**

Open cultures are less conducive to fraud and irregularity than secretive ones. For this reason the need for Councillors to declare and register their interests is required. There is a need for staff to declare and register their interests where appropriate. Staff at many levels will have an opportunity to influence the choice of suppliers and contractors. Management procedures should recognise this and should ensure that the selection of suppliers and contractors always reflects the best interests of the Municipality and not the personal or family interest of any member of the Municipality.

## **6. Detection Controls**

No system of preventative measures can guarantee that frauds will not occur. The Municipality can, however, implement detection measures to highlight irregular transactions.

Correct investigation techniques ensure that any matters highlighted through audit and detection methods are handled in an unbiased, professional manner. Matters need to be handled having regard to Industrial Relations guidelines to minimise the risk of claims for unfair dismissal should this course of action be taken. The requirements of the Whistle blowers policy must also be considered.

## **7. Risk Assessment**

Risk Management is about the identification, evaluation and minimisation of identifiable risks. The Council's risk assessment process must be ongoing and be sufficiently robust to enable all key fraud risks to be identified. Risk assessment should address both the internal and external environments of the Council and they should cover all functions and operations to establish the level, nature, form and likelihood of risk exposure.

Fraud risk indicators may include the following, but not limited:

- Asset misappropriation-
  - o Theft of Cash;
  - o False payment requests;
  - o Cheque fraud;
  - o Billing schemes; and Misuse of accounts (stealing of passwords).
  
- Non-Cash-
  - o Improper revenue recognition;
  - o Misstatement of assets, liabilities and/or expenses;
  - o Other accounting misstatements;
  - o Journal entry fraud by using journal entries to fraudulently adjust financial statement / figures;
  - o Falsified employment credentials;
  - o Falsified internal or external documents;
  
- Corruption-
  - o Conflict of Interests;
  - o Kickbacks;
  - o Personal Interests;
  - o Bribery;
  - o Extortion.

## **8.Awareness, Training and Development**

Ensure that staff understands that the internal controls are designed and intended to prevent and detect fraud and corruption or any other dishonest activities of a similar nature.

Awareness, training and development programmes should be included in the Risk Management Implementation plan.

Fraud risk awareness programs will be conducted throughout the municipality. The use of information systems techniques like pop up messages will also be exercised to promote employee commitment to fraud prevention and to create awareness.

Awareness techniques include the following, but not limited:

- Training sessions / Workshops;
- Group meetings;
- Posters, pamphlets and newsletters;
- Payroll bulletins;
- Intranet, Internet and Email facilities.

## **9. Directive on fraud response**

### **9.1 Alleged fraud incidents**

9.1.1 In the event of fraud, attempted fraud or other illegal act being suspected, officials must immediately report the matter to their line manager. If there is concern that line management may be involved, the matter should be reported to the next appropriate level.

9.1.2 Additionally, the Municipal Manager should be informed. Where confidentiality is sought, staff may report their suspicions direct to the Enterprise Risk Management Department via the Whistle Blowing Hotline, (telephone no 080 348 2600). The Fraud Hotline operates 24/7 and all information received is treated in the strictest of confidence.

9.1.3 The Municipality will treat all disclosures in a confidential and sensitive manner. The identity of the individual may be kept confidential provided this does not hinder or frustrate any investigation. However, there will be occasions where the identity needs to be revealed. For example, where the individual is required to give evidence at a formal hearing, where allegations of misconduct or criminal activity are involved.

9.1.4 In making a disclosure, the individual should take care to ensure the accuracy of the information. Concerns which are found to have been raised frivolously, mischievously or maliciously or for personal gain may result in disciplinary action being taken against the informant.

9.1.5 It is for line management to undertake an initial fact-finding exercise with the labour relations officer. This discreet preliminary enquiry should be carried out as speedily as possible and certainly within 24 hours of the suspicion being raised.

9.1.6 The purpose of the initial fact-finding exercise is to determine the factors that gave rise to suspicion and to clarify whether a genuine mistake has been made or if it is likely that fraud has been attempted or has occurred. This may involve discreet enquiries with staff or the examination of documents.

9.1.7 If the preliminary enquiry confirms that fraud has not been attempted nor perpetrated, however, internal controls are deficient, management should review their control systems with a view to ensuring they are adequate and effective.

## 9.2. Formal Reporting Stage

9.2.1 If the preliminary enquiry confirms the suspicion that fraud has been attempted or perpetrated, management must ensure that all original documentation is preserved in a safe place for further investigation. This is to prevent the loss of evidence, which may be essential to support subsequent disciplinary action and/or prosecution. The preliminary report should be submitted to the [Manager: Integrated Risk Management Labour Relations Officer](#) within reasonable timeframe of enquiry. The facts should then be reported immediately to the Municipal Manager. Where there is a risk of financial loss to the Municipality, the Chief Financial Officer should also be notified.

9.2.2 To remove any threat of further fraud or loss, management should immediately change or strengthen procedures and if appropriate, suspend any further payments pending full investigation.

9.2.3 ~~The Municipal Manager will task the Manager: Integrated Risk Management to advise on the appropriate course of action, which may include a full formal investigation. The scope of the investigation should be determined by the Manager: Integrated Risk Management, in line with the Municipality's System of Delegations. In case of alleged Organisation fraud, the Municipal Manager may task the Enterprise Risk Management Department to investigate it in with the Municipality's System of Delegation.~~ In case of labour relations aspects, the Labour Relations Officer should initiate the investigation process.

9.2.4 Should the Enterprise Risk Management Department advise that further expertise is required, for example Attorneys, Forensic Accountants or Forensic Investigators, the Manager: Integrated Risk Management will engage the Municipal Manager for the appropriate assistance and/or (support)?.

9.2.5 In case of disputes or appeals the Municipal Manager should assigned any reported incident to the Senior Manager: Legal Services for evaluation.

9.2.6 In case of complaints on service delivery aspects, complainants should first report it to the User Department, than to the Director responsible for the Department.

9.2.7 In case the complainant is still not happy or satisfied with the resolutions, if the complaint lodged the complaint to the Municipal Manager, he/she should than decide on you will provide administrative support to advice and/or evaluate the relevant information for decision making purpose.

**9.3. Responding effectively to fraud when it occurs**

9.3.1 Depending on the significance of the fraud, the fraud investigation process involves some or all of the following:

9.3.1.1 Ensuring the actions to take if fraud is discovered are clearly described in the organisation's Fraud Response Plan.

9.3.1.2 The Manager: Integrated Risk Management provides advice for [any Organisation](#) fraud investigation, this includes the decision to conduct an investigation whether in-house or on a co-sourced or outsourced basis.

9.3.1.3 Establishing clear terms of reference for the investigation.

9.3.1.4 Setting up a mechanism to report, on progress of the investigation, to appropriate senior levels of management as and when required to do so.

9.3.1.5 Coordinating the investigation and ensuring that it complies with and meets its objectives.

9.3.1.6 The overall investigation process involves:

- a) Maintaining confidentiality;
- b) Recovering assets;
- c) Forensic investigations and protection of evidence;
- d) Interviewing witnesses and dealing with employees under suspicion;
- e) Coordinating police involvement;
- f) Coordinating civil proceedings in conjunction and under the auspices of the Legal Department;
- g) Liaising with experts and regulators;
- h) Preparing media statements; and
- i) Reporting progress and findings to senior management.

9.3.1.7 Ensuring that effective controls are in place to preserve all forms of evidence. This is a key factor if the fraudster is to be prosecuted successfully as evidence must be legally admissible in court.

9.3.1.8 Management can make recommendations at an early stage on the action to be taken with persons under suspicion and whether suspension or dismissal is necessary in consultation with the Labour Relations Division. Arrangements for interviewing suspects must be made and if criminal proceedings are initiated the South African Police Services must be involved.

9.3.1.9 Adhering to a “fair and reasonable” approach in interviews at all times.

9.3.1.10 Setting up adequate measures to protect the Municipality throughout the investigation process particularly when issuing statements to the media.

9.3.1.11 Initiating a thorough review of all operating procedures in areas affected by the fraud. Comprehensive reports on the findings and recommendations must be presented to management on completion of the investigation.

#### **9.4. Liaison with the South African Police Service**

9.4.1 ~~The Enterprise Risk Management Department/Management should ensure that legal assistance and police assistance is sought where necessary. Enterprise Risk Management Department will be responsible to liaise and/or follow up with the South African Police Service to ensure monitoring and reporting on progress made in cases as required by the Municipal Manager.~~

#### **9.5. Post Event Action**

9.5.1 Where fraud, or attempted fraud, has occurred, management must make any necessary changes to systems and procedures to ensure that similar frauds or attempted frauds will not recur.

9.5.2 Internal Audit is available to offer advice and assistance on matters relating to internal control, if considered appropriate.

#### **9.6. Communication**

9.6.1 The following communication may be observed:

9.6.1.1 The Enterprise Risk Management Department/Management may communicate in the appropriate media or forum, as determined by the Municipal Manager, the outcome of disciplinary, criminal and civil hearings resulting from an investigation.

Final 2019-2020

**10. Monitoring and Reporting**

The municipality will on on-going basis, monitor, measure and report on implementation of fraud management to evaluate, remedy, and continuously improve the organization's fraud detection techniques. If deficiencies are found, management should ensure that improvements and corrections are made as soon as possible. Management should institute a follow-up plan to verify that corrective or remedial actions have been taken.

Final 2019-2020

**11. Review and approval of this Strategy\_ and response plan**

The [Risk and Ethics](#) Risk, Fraud and Corruption Management Committee (RFACMC) shall annually review this strategy and response plan to determine its adequacy and effectiveness for current circumstances and recommend to Council for approval of any amendments that may be required.

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# FRAUD AND CORRUPTION PREVENTION POLICY

Previous date adopted: Fraud and Corruption Prevention Policy  
24 March 2015      C24/2015

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**COUNCIL RESOLUTION:**

**POLICY – BREEDE VALLEY MUNICIPALITY (WC025)**

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## 1. Introduction

This policy has been developed as a result of the expressed commitment of the Breede Valley Municipality to fight fraud and corruption. The Council is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption whether these are attempted from within or external to the municipality. Fraud and Corruption undermine the basic values and principles governing public administration as set out in Chapter 10 of the Constitution. This policy provides guidance to all Staff Members, Councillors of the Municipality, and all external stakeholders to prevent and combat fraud and/or corruption and other acts of theft and maladministration.

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## 2. Objectives

**2.1** The primary objective of the policy is to assist the Accounting Officer and, Council and 2.1 Oversight Committees, to create an environment in the Breede Valley Municipality and its area, that are based on the prevention and detection of fraud and corruption.

**2.2** To develop and maintain a fraud and corruption prevention hotline that is free to all internal and external stakeholders within Breede Valley Municipality.

**2.3** To ensure that Breede Valley Municipality's Council, Management and staff members are aware of its responsibilities for identifying exposures to fraudulent and corrupt activities or any other dishonest activities of a similar nature.

**2.5** To ensure that Council adhere to the basic compliance requirements in terms of the various legislation prescripts *inter alia* the Regulations of Financial Misconduct and Criminal Proceedings, the Financial Management Act and all relevant legislations.

~~— To ensure that Breede Valley Municipality's Council, Management and staff members are aware of its responsibilities for establishing controls and procedures for preventing such fraudulent and or corrupt activity and/or detecting such fraudulent and corrupt activity when it occurs.~~

~~2.4 To provide a suitable environment for employees to report matters that they suspect may concern corrupt conduct, criminal conduct, criminal involvement or serious improper conduct - and to provide a commitment from management within council that they will ensure adequate protection to employees in circumstances where they are victimized as a consequence of reporting, or being a witness to, fraudulent and/or corrupt activities.~~

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## 3. Legislative Framework

This policy has been compiled in accordance with:-

- The Constitution of the Republic of South Africa, No.108 of 1996;
- Corruption Act, No. 92 of 1994;
- Public Protector Act, No. 23 of 1994;
- Prevention of Organised Crime Act, No. 121 of 1998 (POCA);
- Protected Disclosures Act, No. 26 of 2000;
- Financial Intelligence Centre Act, No. 38 of 2001 (FICA);

- Local Government: Municipal Finance Management Act, No. 56 of 2003 ("MFMA");
- Local Government: Municipal Supply Chain Management Regulations, No. 27636 of 2005; -
- National Treasury Regulations.
- Local Government: Municipal Systems Act, No. 32 of 2000 ("MSA");
- Local Government: Municipal Structures Act, No. 117 of 1998 ("MSA");
- Prevention and Combating of Corrupt Activities Act, No. 12 of 2004;
- Protection of Constitutional Democracy against Terrorist and Related Activities Act, No. 33 of 2004 ("POCDATARA").
- Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, GG 37699, 2014.
- The Public Service Commission Rules.

#### 4. Scope of this Policy

This Policy applies to all forms of fraud and corruption, [financial misconduct](#), maladministration or suspected irregularities but not limited to, the following persons or entities:

- Municipal Councillors;
- All Staff Members of the Municipality;
- Service Providers, suppliers, contractors and other providers of goods and services to the Municipality; and
- Any person or entity who stands to benefit from a contract concluded with the municipality;
- Members of the Public.

It prohibits all acts of fraud and corruption or any other dishonest activities of a similar nature impacting or having a potential prejudice to the Municipality or members of the public. Any investigation required will be conducted without regard to the suspected wrongdoer's length of service, position/title, seniority or relationship to the Breede Valley Municipality.

#### 5. Environment and Culture

The Breede Valley Municipal Council and Management must create an environment and culture that promotes an efficient, effective and transparent local public administration that conforms to constitutional principles. The municipality must be managed responsibly in which employees believe that dishonest acts will be detected and investigated.

5.1 To create this environment and culture, they must:

- 5.1.1 Participate in in-house training programmes covering fraud and corruption prevention [Policy](#), whistle blowing policy, code of conduct – MSA 32 of 2000 and the municipal code of ethics ([Code of Ethics Policy](#));

5.1.2 Ensure that staff understands that the internal controls are designed and intended to prevent and detect fraud and corruption or any other dishonest activities of a similar nature;

5.1.3 Ensure that fraud, corruption, theft and maladministration or any other form of fraud and corruption will not be tolerated;

5.1.4 Encourage staff to report suspected fraud and corruption directly as outlined in the whistle blowing policy to those responsible for investigation without fear of disclosure or retribution;

5.1.5 Require vendors and contractors to agree in writing as a part of the contract process, to abide by the Breede Municipality policies and procedures, and thereby avoid any conflict of interest;

5.1.6 To report any form of allegations of financial misconduct against the Accounting Officer, a Senior Manager or the Chief Financial Officer, and or an Official in terms of the Financial Misconduct Procedures as outlined in the Regulations on Financial Misconduct and Criminal Proceedings. The Labour Relations Officer is responsible for the administrative functioning of the Disciplinary Board as required in terms of the Regulations on Financial Misconduct and Criminal Proceedings, Gazette No. 37682 of May 2014.

5.2 It is the responsibility of all Staff Members and Councillors of the Municipality to report incidents on any form of fraud and corruption, maladministration or any other dishonest activity. If an employee is not comfortable reporting such matter to his/her immediate Supervisor or Manager, he/she must report the matter to the next level of management, the whistle blowing hotline process or the Municipal Manager.

5.3 The Municipal Manager or his delegated officer shall report all instances of prima facie criminal conduct to the appropriate authorities. Due cognizance shall be observed with regard to section 34 (1) (b) of the Prevention and Combatting of Corrupt Activities Act, No. 12 of 2004 on miscellaneous matters, which imposed an obligation to report all acts of corruption, fraud, theft, extortion, forgery, or uttering a forged document. Such acts of dishonesty must be reported to the SAPS, failing which management who are aware of the matter, will be committing a criminal offence. The Municipality shall, however, not only report matters in terms of the above obligation, but shall report all criminal conduct irrespective of the value involved.

5.4 The efficient application of National Treasury Regulations, issued in terms of the MFMA, the application of policy resolutions of the Municipality with regard to Unauthorized, Irregular, Fruitless and Wasteful Expenditure, and other acts of financial dishonesty is an important duty of any recipient of a complaint.

## 6. Roles and Responsibilities

The following section outlines the fraud and corruption risk management responsibilities associated with different roles within the Municipality.

### 6.1 Councillors

As elected representatives, all members of the Breede Valley Municipal Council have a duty to the residents of the Breede Valley Municipality and its staff members to ensure that the Council uses its resources prudently and in accordance with the laws and regulations. As such they are required to operate and adhere to the Council's constitution incorporating the Code of Conduct for Councillors. The Code includes rules regarding relationships, personal interests, gifts and hospitality and confidentiality.

Councillors as the political component should however be cautious not to embark on investigations into these types of allegations themselves. They should promote and ensure that all activities are reported in terms of the channels suggested in this policy and should allow administrative investigations to be finalised within legal prescripts.

### 6.2 Municipal Manager

The Municipal Manager bears the ultimate responsibility for fraud and corruption prevention through risk management within the Municipality. This includes not only the coordination of risk assessments, overseeing the investigation of suspected fraud and corruption, reporting of such instances, but should actively promote the culture of sound administration through training and development of all staff.

### 6.3 Senior Management

Senior Management must be committed to eradicating fraud and corruption and ensuring that the Municipality strives to be perceived as ethical in all its dealings with the public and other interested parties.

In this regard, senior management, under the guidance of the Municipal Manager, will ensure that it does not become complacent in dealing with fraud and corruption and that it will ensure the Municipality's overall fraud and corruption prevention Strategy is reviewed and updated regularly. Furthermore, senior management will ensure that all employees and stakeholders are made aware of its fraud and corruption prevention policy and strategies, also of the whistle blowing policy through various initiatives of awareness and training.

### 6.4 Chief Financial Officer

The Chief Financial Officer has key role in providing advice to Council, Municipal Manager, Staff Members and the public about maladministration, financial impropriety, probity, policy framework and budget issues.

The Chief Financial Officer undertakes the statutory responsibility under the Municipal Finance Management Act, No. 56 of 2003, to ensure the proper arrangements for the administration of the Council's financial affairs.

#### 6.5 **Manager: Integrated Risk Management**

The role of the Manager: Integrated Risk Management is to oversee and implement the Municipality's approach to fraud and corruption prevention, detection strategies and response to fraud and corruption incidents reported by employees or other external parties.

#### 6.6 **Internal Auditor**

The role of the Internal Auditor is to independently review and evaluate the adequacy, efficiency and effectiveness of the internal controls (systems and procedures) within the Breede Valley Municipality on the fraud and corruption prevention, detection strategies and response to fraud and corruption incidents reported by employees or other external parties.

#### 6.7 **Public**

The public is required to conduct itself in an ethical and moral way. They should ensure that the accountability of councillors and the administration is promoted by becoming involved in the affairs of council, ~~through~~ not only through public and community participation mechanisms, but as a stakeholder ensure that they become the eyes and ears of the Municipal Manager, in this very daunting fight against fraud and corruption.

Ethics are concerned with human character and conduct and deal with questions of right and wrong, appropriate and inappropriate behaviour and what constitutes good or evil. Ethical conduct is based on a set of principles referred to as values or norms.

### 7. **Awareness, Training and Development**

7.1 The Accounting Officer and Council recognize that the continuous success of the fraud and corruption prevention policy, and its credibility, will depend largely on the effectiveness of staff throughout the organisation. Continuous awareness campaigns must be rolled out throughout the Breede Valley Municipality.

7.2 Management therefore will be responsible for ensuring that all staff are properly trained in the procedures that they should follow when undertaking their duties.

7.3 This policy must be included in the Municipal Batho Pele Booklet and published on the Municipal Website.

## 8. Whistle Blowing

The Protected Disclosures Act, No. 26 of 2000 came into effect on 16 February 2001. This Act makes provisions for procedures in terms of which employees and/or community members may disclose information regarding unlawful or irregular conduct by their employers or other employees in the employ of their employers without fear of victimization.

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In order to remain in compliance with the Act, the Municipality has created a whistle blowing policy with the following objectives:

- To promote the zero tolerance on criminal and other irregular conduct within the Breede Valley Municipality;
- To encourage the reporting of matters that may cause financial or non-financial loss and/or damage to the Municipality's reputation;
- To provide for the appropriate systems and mechanisms for reporting.
- To ensure that council provides the necessary protection to whistle blowers, by concluding agreements to ensure the latter's protection.

## 9. Reporting Procedures on Fraud and Corruption

Consistent with the Auditor General South Africa's guidelines, line managers are responsible for daily operations and for the internal control systems within their organizational responsibility. Where managers do not have the expertise to evaluate internal controls, they should call upon the support from Enterprise Risk Management and Internal Audit.

It is the responsibility of members of the public and employees (including line managers) to report all incidents of fraud, corruption or any other dishonest activities of a similar nature to the Office of Enterprise Risk Management at:

- Toll free Hotline: 080 348 2600 (This process guarantees a caller to remain anonymous) or
- **Tel:** +27 23 348 2600,
- Completed complaint forms to be posted: Civic Centre, Baring Street, Private Bag X3046, Worcester, 6849, South Africa.

All complaints implicating the Enterprise Risk Management and Internal Audit Units should be reported to the Accounting Officer.

## 10. Confidentiality and Discretion

It is the responsibility of all employees, management, councillors and community members of the Municipality to report all incidents of fraud or corruption, or any other dishonest activities of a similar nature.

Any fraudulent or corrupt behaviour must be reported immediately through the mechanisms set out in the Whistle Blowing Policy. All reported incidents received will be acted upon, will be treated with the requisite confidentiality and will not be disclosed or discussed with parties other than those charged with investigation into such reports.

## **11. Conflict of Interests**

11.1 Employees and Councillors are compelled to declare and avoid any conflict of interest that might arise which include any financial or other private interest or undertaking that could directly or indirectly compromise the performance of the employees and councillor duties or the reputation of the municipality in its relationship with its stakeholders and community.

11.2 Employees and Councillors are compelled to declare their business interests in terms of the disclosure of business interests. For the sake of clarity in respect of the anti-fraud obligations, this requirements goes further in that all employees and councillors are required to declare their business interests whether such business interests are registered or not. The declaration is required regardless of the status of such an entity; whether active or dormant.

11.3 All staff members must apply to the Municipal Manager for the approval on work outside of the Municipality, whether it is of financial or non-financial interests.

11.4 The value of gifts received from a single source in any calendar year may not exceed R 350.00 for Staff members and R1000.00 for Councillors. Should the value of the gift, reward or favour be uncertain or disputed, the value will be determined by the relevant Manager / Director.

11.5 Any gift as defined in terms of section 9 of Schedule 1 of the Systems Act, No. 32 of 2000 may not be accepted by any Councillor.

11.6 Any gift as defined in terms of section 8 of Schedule 2 of the Systems Act, No. 32 of 2000 may not be accepted by any staff member.

11.7 Items received which could be clearly defined as marketing material does not constitute a gift.

11.8 Receipt of gifts in any of the following scenarios would prima facie be viewed, to evaluate whether it is in breach of section 9 of Schedule 1 and section 8 of Schedule 2 of the Systems Act and section 47 of the Municipal Supply Chain Management regulations:

- a) Tenders;
- b) Contracts;

- c) Provider and prospective providers as well as receivers and prospective receivers of goods in terms of actions that are clearly enacted to avoid and prevent ~~corruption~~ corrupt practices.

11.9 The responsibility of granting authority to staff members to accept rewards, gifts or favours above R350.00 rests with the Directors of each directorate and the Municipal Manager (or his nominee) to the Directors.

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11.10 The responsibility of granting authority to the Municipal Manager to accept rewards, gifts or favours above R350.00 rests with the Executive Mayor.

11.11 The responsibility of granting authority to councillors to accept rewards, gifts or favours above R1000.00 rests with the Speaker.

11.12 Councillors must report gifts received by completing and submitting the "Declaration of Rewards, Gifts and Favour Form" to the Office of the Speaker (Speaker).

11.13 Staff members must report rewards; gifts and favour received by completing and submitting the "Declaration of Rewards, Gifts and Favour Form" to his/her Director.

11.14 The Directors must report rewards, gifts and favours received by Staff members to the Office of the Municipal Manager (Enterprise Risk Management).

~~11.15 The office of the Municipal Manager (Enterprise Risk Management Unit) shall provide details of all rewards, gifts and favours received by Councillors and Staff members and authorized by the Executive Mayor, Speaker or Municipal Manager to the Risk and Ethics Management Committee (who is responsible for ethics management), Audit Committee (Oversight) on a quarterly basis and the Office of the Speaker (Council).~~

11.16 A register will be kept and maintained in the office of the Municipal Manager (Enterprise Risk Management Unit).

## **12. Prevention Controls, Detection Mechanisms and Investigation**

All Managers are responsible for the detection, prevention and investigation of fraud and corruption or any dishonest activities of a similar nature, within their areas of responsibility.

The responsibility to conduct investigations relating to the actions listed in this policy resides with Council, the Municipal Manager and the Directors within the Municipality who have the advisory and supporting assistance from departments and external state agencies which may include any of the following:

- a) Internal and external audit services;
- b) State Attorney;
- c) External investigating agencies, for example the SAPS, where matters fall within their mandate;
- d) External consultants, for example Forensic Accounting Consultants;
- e) Office of the National Director of Public Prosecutions;-
- f) Special Investigating Units established under any law;-
- g) The Public Protector;
- h) Any other authority as may be determined by Council.

The Human Resources Unit must provide adequately qualified prosecutors (initiators) and presiding officers to deal with disciplinary enquiries relating to serious misconduct.

For the purpose of this policy "serious misconduct" means

- Theft, unauthorized possession of or malicious damage to the employer's property.
- Any act of gross dishonesty.
- Gross negligence.
- Wrongful disclosure of privileged information.
- Any act of fraud, corruption or bribery.
- Any other act of misconduct that would constitute just cause for dismissal for a first offence.

### 13. Forms of fraud and corruption

The following are examples of different types of **fraud and** corruption:

- **Bribery**

Bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decisions of public servants.

- **Embezzlement**

This involves theft of resources by persons entrusted with the authority and control of such resources.

- **Fraud**

This involves any conduct or behaviour of which a dishonest representation and/or appropriation forms an element.

- **Abuse of power**

This involves a public servant using his or her vested authority to improperly benefit another public servant, person or entity (or using vested authority to improperly discriminate against another public servant, person or entity).

- **Conflict of interest**

The failure by a public servant to act or to consciously fail to act on a matter where the public servant has an interest or another person or entity that has some form of relationship with the public servant has an interest.

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- **Abuse of privileged information**

This involves the use, by a public servant of privileged information and knowledge that a public servant possesses as a result of his/ her office to provide unfair advantage to another person or entity to obtain a benefit.

- **Favouritism**

The provision of services and/or resources, according to personal affiliation, (for example cultural or religious) of a public servant.

- **Nepotism**

A public servant ensuring that family members are appointed to public service positions or that family members receive contracts from the state is regarded as nepotism.

These manifestations are by no means exhaustive as fraud and corruption appears in many forms and it is virtually impossible to list all of these. It is the responsibility of Management to report some form of serious misconducts to the South African Police Services.

The SA Police Service is empowered by s205 of the 1996 Constitution to prevent, combat and investigate crime, to maintain public order, to protect and secure the inhabitants of the Republic of South Africa and their property, and to uphold and enforce the law.

#### **14. Review and Approval of the Policy**

The ~~Risk and Ethics Management Committee~~ Risk, Fraud and Corruption Management Committee (RFACMCO) must every three (3) year review this Policy and determine its adequacy and effectiveness for current circumstances and recommend to Council for approval.



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Worcester, 6849,  
South Africa

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# ENTERPRISE RISK MANAGEMENT POLICY

Previous date adopted: Enterprise Risk Management Policy 24 March 2015 C22/2015

## COUNCIL RESOLUTION:

## ENTERPRISE RISK MANAGEMENT POLICY – BREEDE VALLEY MUNICIPALITY (WC025)

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## 1. RISK MANAGEMENT PHILOSOPHY

The management of risks has always been a fundamental element of Breede Valley Municipality's strategic business execution in order to protect the Municipality's core public service values, vision, objectives and the service delivery expectations of the public as stipulated in section 152 the constitution of the Republic of South Africa, the Municipal Finance Management Act (MFMA) and various other pieces of legislation applicable to local government.

Risk management is recognised as an integral part of responsible management and the Municipality therefore adopts an approved enterprise wide risk management methodology and philosophy to ensure adequate and effective risk management. The features of this process are outlined in the Municipality's Risk Management Strategy. It is expected that all departments / sections, operations and processes will be subject to the risk management strategy. It is the intention that these departments / sections will work together in a consistent and integrated manner, with the overall objective of mitigate risk, as far as reasonably practicable.

The realization of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardize the direct interests of stakeholders. 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. In the course of conducting the 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.

### 1.1 Our Commitment

We subscribe to the following fundamental principles that all resources will be applied economically, efficiently and effectively to ensure the highest standards of service delivery:

- A management system containing the appropriate elements aimed at minimizing risks and costs in the interest of all stakeholders;
- Clear assignment of responsibilities and accountabilities;
- Common enterprise-wide risk management framework and process;
- Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholder's expectations;
- The identification of uncertain future events that may influence the achievement of business plans and strategic objectives;
- The integration of risk management activities within the Municipality and across its value chain; and
- The responsibility to ensure effective management of risk in Breede Valley Municipality rests with all employees.

## 1.2 Risk Responsibility

Council is responsible for the overall governance of risk within the Municipality. Council has however delegated this responsibility to the Municipal Manager / Accounting Officer and the risk management oversight committee.

The Municipal Manager, who is ultimately responsible for the Municipality's risks, has delegated this role to the Manager: Integrated Risk Management and Management.

The Manager: Integrated Risk Management will ensure that the framework is implemented and that Council, the Risk Management Committee, the Audit Committee and the Municipal Manager receive appropriate reporting on the Municipality's risk profile and risk management process. The appropriate reporting's on the risk management related matters will be provided during Management meetings and other structural alignment of reporting.

Our commitment to risk management is an expression of our commitment to the following:

- Batho Pele principles;
- Compliance to applicable legislation;
- Zero tolerance to fraud and corruption;
- Training and Development; and
- Creating an enabling environment for Employment and Poverty eradication.

## 2. OVERVIEW

The overview of this document is to set out the Municipality's Risk Management Policy and amongst other things it includes the following:

- The objectives of the risk management policy;
- Definitions of relevant terms;
- Risk management principles;
- Roles and responsibilities;
- The Municipality's 'Risk Tolerance';
- The Risk Framework and how it will work; and
- How risk management contributes to providing an Assurance.

Risk Management in the Municipality provides a framework to identify, assess and manage potential risks and opportunities. It provides a way for managers to make informed management decisions. Effective Risk Management affects everyone in the Municipality. To ensure a widespread understanding, Management and all operational/business units should be familiar with, and all staff and councillors are aware of, the principles set out in this document.

## 2.1 Objective

The objectives of this Risk Management policy are to assist management and council to make informed decisions which will:

- Improve the Municipality's performance on decision making and planning;
- Provide a sound basis for integrated risk management and internal control as components of good corporate governance;
- Assist management in ensuring more effective reporting and compliance with applicable laws, regulations and other corporate governance requirements.
- Foster a culture of good governance, ethical conduct, discourage inefficiencies and counter fraud and corruption.

## 2.2 Scope

Enterprise Risk Management (ERM) is the application of risk management throughout the Municipality, and not only in selected business areas or disciplines. This policy should be clearly communicated to all employees to ensure that the risk strategy is incorporated into the language and culture of the Breede Valley Municipality.

## 2.3 Background

Risk is part of every human effort, and an integral part of both financial and non-financial business undertakings. Organizations and leaders of these organizations are routinely exposed to risks of different degrees towards the attainment of goals and objectives.

The Breede Valley Municipality, as the third sphere of government, provides a range of municipal services to the local communities. In its recognition of the critical service delivery mandate, recognized that innovation and accountability are essential in the pursuit of its mandate. To ensure that the stated objectives of the Municipality in the Integrated Development Plan (IDP) are achieved in the complex and dynamic environment within which the Municipality operates, and without compromising the stakeholders trust and high standard of service delivery, an effective approach to management of risks that are faced on an ongoing basis is needed.

Council and Management must therefore embrace risk and in so doing, actively consider it in strategy and objective setting, as well as in undertaking and performing their day to day duties and responsibilities.

Section 62(1)(c)(i) and 95(c)(i) of the MFMA state 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." -

Section 3.2.1 of the Treasury Regulations states the following:

“The accounting officer must ensure that a risk assessment is conducted regularly so as to identify emerging risks of the institution. A risk management strategy, which must include a fraud prevention plan, must be used to direct the internal audit effort and priority ...”

## 2.4 Legislative Instruments

Legislation and guidelines that is aimed at the implementation of enterprise risk management is as follows, but not limited to:

- Municipal Finance Management Act no. 56 of 2003;
- Public Sector Risk Management Framework, 1 April 2010;
- Treasury Regulations (issued in terms of the MFMA);
- King Code of Governance for South Africa 2009;
- Committee of Sponsoring Organization of the TreadWay Commission (COSO) Enterprise Risk Management – Integrated Framework 2004;
- COSO – Strengthening Enterprise Risk Management for Strategic Advantage, 2009;
- International Organization for Standardization - ISO31000, 2009;
- Framework for Managing Programme Performance Information 2007;
- International Standards for the Professional Practice of Internal Audit;
- The Orange Book, Management of Risk – Principles and Concepts, October 2004;
- Public Service Regulations, 2001;
- Companies Act No. 71 of 2008.

## 3. THE DEFINITIONS OF RISK 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 formalised process instituted by the Municipality to identify, assess, manage, monitor and report risks to ensure the achievement of objectives.
- **Enterprise Risk Management (ERM)** is a process, effected by the Municipality 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.  
**or**
- **Enterprise Risk Management (ERM)** is the application of risk management 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 not to be considered and managed in isolation.

#### 4. BENEFITS OF ENTERPRISE RISK MANAGEMENT

- **Service Delivery**

The overall benefit of risk management is effective and efficient service delivery.

- **Organisational alignment**

The risk management process is designed to complement effective strategic and operational planning. It will assist in ensuring that management and staff understand, and are committed to the Strategic Focus Areas which have been defined in the IDP and the SDBIP. This will include an understanding of the key performance indicators (KPI's) against which our success is measured.

- **Improved ability to manage risks**

The formal identification and evaluation of risks will improve management and staff's understanding of the risks which need to be managed. Furthermore, it will enable the analyses and understanding of the causes of risks to ensure effective internal controls to manage these causes.

- **Improved ability to achieve objectives**

By proactively identifying risks, the Municipality will have a better understanding of risks and be more anticipatory and therefore able to achieve its objectives with greater certainty.

- **Improved ability to seize opportunities**

By understanding its risk profiles, the risk management process will enable management to seize and execute new opportunities successfully.

- **Cost Effective Internal Controls**

The risk management process will ensure that the system of internal control is cost effective. Areas of over control should be identified and removed.

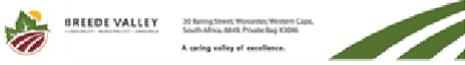
- **Sustainability**

The risk management process is a means to educate all management and staff on their responsibility for risk management and the effective application of internal controls. Risk management will be embedded at all levels within the Municipality.

#### 5. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the role players in the risk management process are as follows:

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### **Risk Management Oversight (Council)**

Council is responsible for the governance of risk. 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 the Breede Valley Municipality against significant risks.

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 Improvement Plan (SDBIP).

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### **Risk Management Oversight (Audit Committee)**

The Audit Committee 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, IT and fraud risk related to financial reporting are identified and managed.

The Audit Committee's primary responsibility is providing an independent and objective view of the effectiveness of the Municipality's risk management process to council and to provide recommendations to the Municipal Manager for continuous improvement and management of risks. The responsibilities of the Audit Committee with regard to risk management are formally defined in its charter.

### **Risk Management Oversight (Risk, Fraud and Corruption Management Committee)**

The committee'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.

### **Risk Management Implementers (Municipal Manager)**

The Municipal Manager is ultimately responsible for risk management within the Municipality. This includes ensuring that the responsibility for risk management vests at all levels of management. The Municipal Manager sets the tone at the top by promoting accountability, integrity and other factors that will create a positive control environment.

### **Risk Management Implementers (Management)**

All other levels of management, support the Municipality's risk management philosophy, promote compliance with the risk appetite and manage risks within their areas of responsibility.

Management takes ownership for managing the Municipality's risks within their areas of responsibility and is accountable to the Municipal Manager for designing, implementing, monitoring and integrating ERM into their day-to-day activities of the Municipality. This should be done in a manner that ensures that risk management becomes a valuable strategic management tool.

### **Risk Management Implementers (Other Officials)**

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

### **Risk Management Support (Manager: Integrated Risk Management / Chief Risk Officer)**

The Manager: Integrated Risk Management is the custodian of the Risk Management Strategy and Implementation Plan and the coordinator of Enterprise Risk Management activities throughout the Breedevally Municipality.

The primary responsibility of the Manager: Integrated Risk Management is to use his/her specialist expertise to assist the Municipality to embed Enterprise Risk Management and leverage its benefits to enhance performance.

The Manager: Integrated Risk Management plays a vital communication link between senior management, operational level management, the Risk Management Committee and other relevant committees.

### **Risk Management Support (Risk Champions)**

A Risk Champion would generally hold a senior position within the Municipality and possess the skills, knowledge and leadership qualities required to champion a particular aspect of risk management.

The Risk Champion assists the Manager: Integrated Risk Management to facilitate the risk assessment process and manage risks within their area of responsibility to be within the risk appetite. Their primary responsibilities are advising on, formulating, overseeing and managing all aspects of the Municipality's entire risk profile, ensuring that major risks are identified and reported upwards.

### **Risk Management Assurance Providers (Internal Audit)**

The core role of Internal Audit in risk management is to provide an independent, objective assurance to council and the Audit Committee on the effectiveness of the risk management process.

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.

### **Risk Management Assurance Providers (External Audit)**

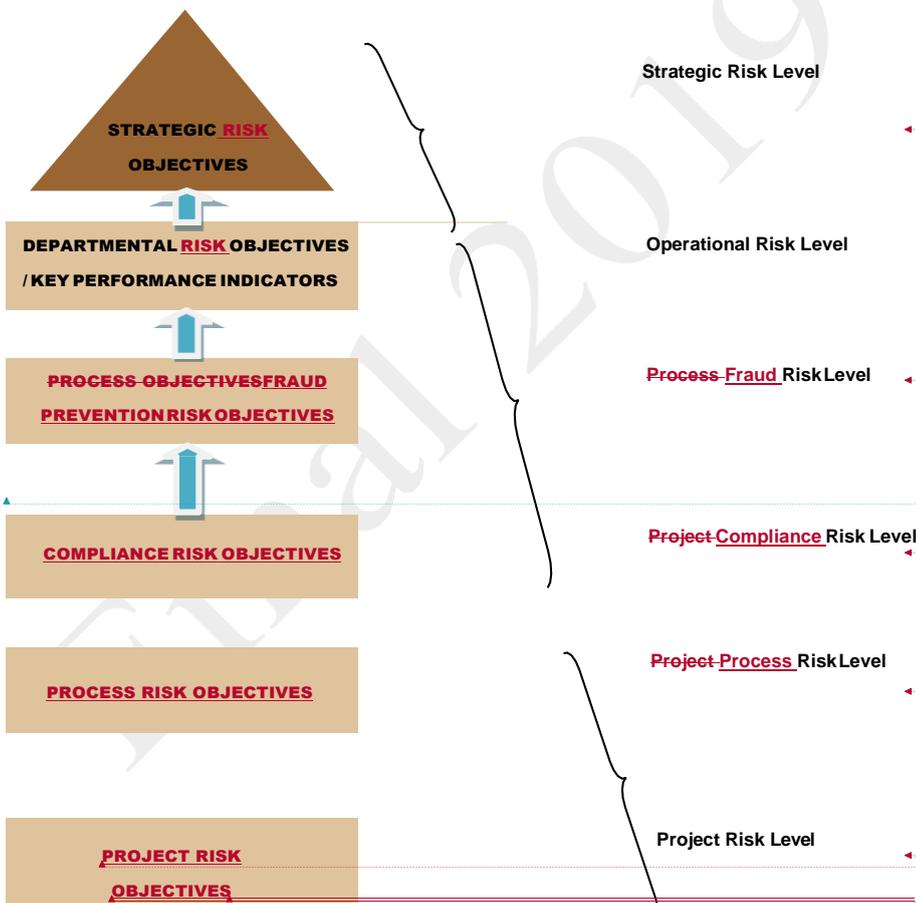
External Audit (Auditor-General South Africa) provides an independent opinion on the effectiveness of Enterprise Risk Management.

## 6. RISK PROFILES

Risk profile plans shall be developed and reviewed on an annual basis.

Four levels of risk profiles need to be developed and maintained at the Municipality (this will also depend on the capacity level within the Municipality, for example the Municipality may opt to perform the strategic and operational assessment as a start).

These are different levels:



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### Strategic risk level

- Top-down risk assessments at strategic level should be performed when the vision, long-term development priorities and objectives are determined as part of the Integrated Development Plan;
- Strategic risk identification should precede the finalisation of strategic choices, and related budgetary processes, to ensure that potential risk issues are factored into the decision making process for selecting the strategic options;
- In order to achieve this, the strategic risk assessment activities should be aligned to the activities in the IDP process plan and budget timetable and there should be a clear link between the challenges documented in the IDP and the key risks included in the strategic risk profile;
- Strategic risk assessments should be updated during the annual review of the Integrated Development Plan and budgetary processes;
- In performing the strategic level risk assessment, risk owners assess the extent to which current management controls and strategies effectively mitigate identified risks to within the risk tolerance and overall risk appetite of the organisation;
- Actions are implemented to respond to key gaps in risk mitigation. The monitoring of strategic risks, existing controls and actions should be integrated into the day-to-day business.

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### Operational risk level

- Operational risk identification should seek to establish vulnerabilities introduced by employees, internal processes and systems, contractors, regulatory authorities and external events;
- Operational risk assessments should be performed during the annual departmental planning and budgeting processes, and be continually monitored for new and emerging risks;
- Specific operational risk assessments may need to be performed in certain areas using specialist skills, such as fraud risk assessments, information technology risk assessments, compliance risk assessments, safety and health risk assessments;
- In performing operational risk assessments, risk owners assess the extent to which current management controls and strategies effectively mitigate identified risks to within the risk tolerances;
- Actions are implemented to respond to gaps in risk mitigation. The monitoring of operational risks, controls and actions should be integrated into the operational day-to-day business.

### Fraud risk level

- The main way to prevent fraud is to establish a comprehensive system of control, and where fraud is not prevented, increases the likelihood of detection and increases the cost to the fraudster.

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- A fraud risk assessment expands upon traditional risk assessment. It is scheme and scenario based rather than based on control risk or inherent risk.
- Proactively identifying and addressing fraud in an organization. Considers both internal and external threats.

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**Compliance risk level**

- Identify, prioritize, and assign accountability for managing existing or potential threats related to legal or policy noncompliance—that could lead to fines or penalties, reputational damage, or the inability to operate in key markets.
- The compliance risk assessment will help the organization understand the full range of its risk exposure, including the likelihood that a risk event may occur, the reasons it may occur, and the potential severity of its impact.
- An effectively designed compliance risk assessment also helps organizations prioritize risks, map these risks to the applicable risk owners, and effectively allocate resources to risk mitigation.
- In performing process level risk assessments, risk owners assess the extent to which current management controls and strategies effectively mitigate identified risks to within the risk tolerances.
- The Enterprise Risk Management Department may in line with its capacity assist in the process level risk assessments, to maintain a compliance risk register which can help risk owners assess the extent to which current management controls and strategies effectively mitigate identified risks to within the risk tolerances.

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**Process risk level**

- Process risk identification should seek to establish risks to the achievement of the specific process objectives;
- In performing process level risk assessments, risk owners assess the extent to which current management controls and strategies effectively mitigate identified risks to within the risk tolerances;
- Actions are implemented to respond to gaps in risk mitigation. The monitoring of process level risks, controls and actions should be integrated into process level operations.

**Project risk level**

- This involves the identification of risks inherent to particular projects;
- Risks should be identified for all major projects, covering the whole project lifecycle;
- It is aimed to facilitate risk owners in ensuring that adequate and effective strategies and controls are implemented and monitored throughout the project lifecycle;

- Risks are documented in the project risk register, monitored and regularly reviewed to identify new and emerging risks.

## 7. ENTERPRISE RISK MANAGEMENT PROCESS

To fulfil its philosophy and implement an enterprise-wide integrated approach, the Breede Valley 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 Implementation plan.



Figure 1: Enterprise Risk Management Process – Enterprise Risk Management Integrated Framework – September 2004 (Committee of Sponsoring Organizations of the Treadway Commission)

### Internal Environment

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

**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.

**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.

Event / Risk identification should be should be strengthened by:

- Review of internal and external audit reports;
- Financial analyses;
- Historic data analyses;
- Actual loss data;
- Interrogation of trends in performance data;
- Benchmarking against peer groups;
- Market and sector information;
- Scenario analyses; and
- Forecasting and stress testing.

There are a number of techniques that can be used for risk identification. The following options have been identified that can be used to assist role players in identification and recording of perceived risks.

Technique	Advantages	Disadvantages
Individual Interview	Ensures consistent drawing out of issues. Personal interaction can be useful in generating a better understanding of risks.	Takes up a considerable amount of time for both interviewer and interviewee. May miss significant risks unless a well-qualified interviewer is used.
Workshops	Generates a shared understanding and "ownership".	Team dynamics may take over (e.g. risks not identified because the "boss" is present which inhibits

	Promotes team working through a process of brainstorming.	discussion). Negativity amongst the team affects risk ranking.
A Combination of the Above	Risks from interviews can be discussed and agreed. New risks can be brought out in a team environment.	Takes up officers' time and largely depends upon the skills of the interviewer / facilitator.
Staff Surveys	Consistent questions asked and documented responses. Can identify risks, evaluate them and capture action plans.	Could be a better use of resources or be seen as bureaucratic and generate little "buy-in" from teams. Could there be some collation / analysis issues when results received.
Selected Groupings	If senior managers are involved they should quickly identify key strategic risks and the process can help to generate corporate working.	Fairly cost effective but the opinion of those "already converted" or risk educated may be sought which may not adequately capture or address a holistic approach.

### Risk Assessment

Risk assessments allow the Municipality to consider the extent to which potential events might have an impact on the achievement of objectives. Management assess events from two perspectives, viz impact and likelihood to determine their risk score or severity rating and normally uses the quantitative method.

Risk Assessments are performed through a three stage process:

- Firstly, inherent risk should be assessed;
- Secondly, residual risk should be assessed;
- Thirdly, the residual risk should be benchmarked against the risk appetite to determine the need for further intervention.

Inherent risks are rated, assuming that there are no controls in place to mitigate the risk. Risk assessment is applied first to inherent risks. Once risk controls and responses have been identified and/or developed, the residual risk is then determined.

The risk management, assessment process will be conduct in the following processes, to ensure alignment:

1. Strategic Objectives (Council);
  - a. Strategic Key Performance Indicators;
    - i. Strategic Risks Identified;
      1. Response Strategy (Action plan).
2. Departments – Departmental Objectives (Mayoral Accounting Officer)
  - a. Departmental Key Performance Indicators;

- i. Operational Risk Identified;
  - 1. Response Strategy (Action Plan).
- ii. Fraud Risk Identified;
  - 1. Response Strategy (Action Plan).
- iii. Compliance Risk Identified;
  - 1. Response Strategy (Action Plan).

The following tables provide the risk ratings:

**Potential Impact / Consequence**

Rating	Continuity of Service	Safety & Environmental	Technical Complexity	Financial	Achievement of objectives
<b>Catastrophic (5)</b>	Risk event will result in widespread and lengthy reduction in continuity of service delivery to customers for a period greater than 48 hours	Major environmental damage. Serious injury (permanent disability) or death of personnel or members of the Public. Major negative media coverage.	Use of unproven technology for critical systems / project components. High level of Technical Interdependencies between system components.	Disaster with potential to lead to collapse of business and is fundamental to the achievement of objectives.	Negative outcomes or missed opportunities that are of critical importance to the achievement of objectives
<b>Major (4)</b>	Reduction in service delivery or disruption for a period ranging between 24 & 48 hours over a significant area	Significant injury of personnel or public. Significant environmental damage. Significant negative media coverage.	Use of new technology not previously utilised by the organisation for critical systems / project components.	Critical event which can be endured but which may have a prolonged negative impact and extensive consequences.	Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives
<b>Moderate (3)</b>	Reduction in service delivery or disruption for a period between 8 & 24 hours over a significant area	Lower level of environmental, safety or health impacts. Negative media coverage	Use of unproven or emerging technology for critical systems / project components.	Major events, which can be managed but requires additional resources and management effort.	Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives



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<b>Minor (2)</b>	Brief local inconvenience (work around possible). Loss of an asset with minor impact on operations	Little environmental, safety or health impacts. Limited negative media coverage.	Use of unproven or emerging technology for systems / project components.	Event, which can be managed under normal operating conditions.	Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives
<b>Insignificant (1)</b>	No or minimal impact on business or core systems	No environmental, safety or health impacts and/or negative media coverage	Use of unproven or emerging technology for non-critical systems / project components	Consequences can be readily absorbed under normal operating conditions.	Negative outcomes or missed opportunities that are likely to have a relatively negligible impact on the ability to meet objectives

**Likelihood/Probability of occurrence**

Rating	Level	Description
5	Almost certain	The risk is already occurring, or is likely to occur more than once within the next 12 months
4	Likely	The risk will easily occur, and is likely to occur at least once during the next 12 months.
3	Moderate	There is an above average chance of the risk occurring more than once during the next 3 years
2	Unlikely	The risk has a low likelihood of occurring during the next 3 years
1	Rare/Remote	The risk is unlikely to occur during the next 3 years

**Control Effectiveness**

Rating	Level	Description
5	Excellent	Could not be more effectively implemented to mitigate the risk.
4	Good	Most risks are effectively controlled and mitigated.
3	Average	There is room for some improvement in the control system.

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2	Unsatisfactory	Some risks appear to be controlled but there are major deficiencies.
1	Poor	The control system is ineffective.

**Risk Appetite**

It is not always efficient to manage risks to zero residual risk or very low residual threshold because of the time, cost and effort that will be required, and which could result in the cost / benefit dynamics to become skewed. On the other hand it is also poor management practice to accept risks which create unnecessary exposure for the institution. The risk appetite should be directly related to the strategy setting of the Municipality.

The risk appetite should enable consistency in decision making at all levels through improving risk understanding.

It should also improve the ability of the Audit Committee and the Risk Management Committee to challenge recommendations and/or action plans of management/risk champions by providing a benchmark of what level of risk is defined as acceptable, and therefore should derive real value from the assessment of risk over and above compliance purposes.

The Breede Valley Municipality has set its risk appetite level at Impact X Likelihood = 9 rating. 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.

**EXAMPLE:**

Both the inherent and residual risks shall be measured as Low, Medium, High and Extreme. This can be illustrated in the Heat Map, below:

<b>LIKELIHOOD</b>	5	LOW	MEDIUM	HIGH	EXTREME	EXTREME
	4	LOW	MEDIUM	HIGH	HIGH	EXTREME
	3	LOW	MEDIUM	MEDIUM	HIGH	HIGH
	2	LOW	LOW	MEDIUM	MEDIUM	MEDIUM
	1	LOW	LOW	LOW	LOW	LOW
<b>Risk Matrix</b>		1	2	3	4	5
		<b>IMPACT/ CONSEQUENCE</b>				



Figure 2: Heat Map



Risk Appetite Level  
3 X 3 = 9 Level

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### Risk Response

After assessing the risk scores, an appropriate mitigation strategy is selected. These responses may fall within the categories of avoid, reduce, share and accept.

Risk responses fall within the following four categories:

- **Avoid** – Action is taken to exit the activities giving rise to risk. Risk avoidance may involve exiting a product line, declining expansion to a new geographical market, or selling a division. Example The best way to avoid flood risk is to locate the development outside areas of Flood Zones.
- **Reduce** – Action is taken to reduce the risk likelihood or impact, or both. This may involve any of a myriad of everyday business decisions.
- **Share** – Action is taken to reduce risk likelihood or impact by transferring or otherwise sharing a portion of the risk. Common risk sharing techniques include purchasing insurance products, pooling risks, engaging in hedging transactions, or outsourcing an activity.
- **Accept** – No action is taken to affect likelihood or impact.

### 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.

### 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.

**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 CATEGORIES**

A Risk Framework is a master list that enables the categorization of all risks identified, but not limited. The risk identification process should cover all risks, regardless of whether or not such risks are within the direct control of the institution. These might include external and internal factors:

RISK CATEGORIES	DEFINITION OF RISK CATEGORIES
<p><b>Political Risks</b></p>	<p>Risks relating to newly elected government officials, political agendas; new legislation and regulations or amendments thereof;            The influence of international governments and other Governing bodies on the institutional strategy;            Risks emanating from political factors and decisions, which have an impact on the institution's mandate and operations;            Possible factors to consider include:</p> <ul style="list-style-type: none"> <li>• Political unrest; Local, Provincial and National Strikes; and</li> <li>• Changes in office bearers</li> </ul>
<p><b>Financial</b></p>	<p>Potential factors on financial risks:</p> <ul style="list-style-type: none"> <li>• Financial Statements / Financial Reporting Integrity;</li> <li>• Revenue Collection / Debt Management</li> <li>• Budgets/ budgeting;</li> <li>• Working Capital Management;</li> <li>• Cash Management;</li> <li>• Asset Management;</li> <li>• Increasing OPEX &amp; CAPEX expenditure;</li> <li>• Supply Chain Management /Procurement.</li> </ul>
<p><b>Service Delivery</b></p>	<p>Risks that have an effect of hindering service delivery due to inefficient, ineffective and uneconomical</p>



	<p>use of resources:</p> <ul style="list-style-type: none"> <li>• Water Services;</li> <li>• Refuse &amp; Waste Removal;</li> <li>• Housing Development &amp; Maintenance services;</li> <li>• Civil Engineering Services;</li> <li>• Electrical Engineering Services;</li> <li>• Public Roads Works &amp; Maintenance;</li> <li>• Local Economic Development;</li> <li>• Sustainable Development;</li> <li>• Healthcare Management services;</li> <li>• Safety &amp; Security Services</li> </ul>
<b>Human Resources</b>	<p>Risks associated with staff capacity in relation to:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Specialist Skills</li> <li><input type="checkbox"/> Staff Retention</li> <li><input type="checkbox"/> Training and Development / Skills Development</li> <li><input type="checkbox"/> Performance Management</li> <li><input type="checkbox"/> Remuneration / Employee Benefits</li> <li><input type="checkbox"/> Employee Relations</li> <li><input type="checkbox"/> Employee Wellness</li> <li><input type="checkbox"/> Occupational health and safety</li> </ul>
<b>Occupational Health and Safety/Fire, Disaster &amp; Security Risks</b>	<ul style="list-style-type: none"> <li>• These risks relate to fire, disaster and security;</li> <li>• Risks that may hamper the Municipality to ensure a safe, healthy, clean and sustainable external environment for all the Breede Valley's people;</li> <li>• Provide security on networks, systems and information; and Safeguarding of Assets.</li> </ul>
<b>Regulatory Risks</b>	<ul style="list-style-type: none"> <li>• Compliance with legal requirements such as legislation, regulations, contractual requirements and internal policies and procedures.</li> <li>• This category also extends to compliance with additional 'rules' such as policies, procedures or expectations, which may be set by service providers or customers.</li> </ul>
<b>Economic Risks</b>	<p>Factors to be considered:</p> <ul style="list-style-type: none"> <li>• Foreign exchange fluctuations;</li> <li>• Interest Rate;</li> <li>• Inflation;</li> <li>• Investments;</li> <li>• Credit Ratings</li> </ul>
<b>Third party performance</b>	<p>Risks related to the Municipality's dependence on the performance of a third party.</p>



	<p>Risk in this regard could be that there is the likelihood that a service provider might not perform according to the service level agreement entered into with the Municipality. Non-performance could include:</p> <ul style="list-style-type: none"> <li>• Outright failure to perform;</li> <li>• Not rendering the required service on time;</li> <li>• Not rendering the correct service; and</li> <li>• Inadequate / poor quality performance</li> </ul>
<b>Litigation</b>	<p>Risks that the Municipality might suffer due to litigation and lawsuits against it. Losses from litigation can possibly emanate from:</p> <ul style="list-style-type: none"> <li>• Claims by employees, the public, service providers and other third parties;</li> <li>• Failure by the Municipality to exercise certain rights that is to its advantage.</li> </ul>
<b>Information Technology</b>	<p>Areas in which risks associated with Information Technology may arise from are:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> IT Governance;</li> <li><input type="checkbox"/> Security Management;</li> <li><input type="checkbox"/> IT Service Continuity;</li> <li><input type="checkbox"/> Program Change Control;</li> <li><input type="checkbox"/> User Account Management;</li> <li><input type="checkbox"/> Integration / interface of the systems;</li> <li><input type="checkbox"/> Effectiveness of technology;</li> <li><input type="checkbox"/> Obsolescence of Technology;</li> <li><input type="checkbox"/> Succession planning of applications;</li> <li><input type="checkbox"/> Disaster recovery;</li> <li><input type="checkbox"/> Systems development and testing; and</li> <li><input type="checkbox"/> Software and hardware.</li> </ul>
<b>Environmental Risks</b>	<p>Socio-Economic factors:</p> <p>Industries; Globalization risks (effect) – Global Warming, World markets; Inflation; Unemployment          Pollution, Spillages, Depletion of Natural Resources</p>
<b>Fraud and Corruption</b>	<p>These risks relate to illegal or improper acts by Employees, Councillor's and/or Community members resulting in a loss of the Municipality's assets or resources.</p> <p>Fraud by Internal &amp; External Stakeholders</p> <ul style="list-style-type: none"> <li>• Fraud by Service Provider;</li> <li>• Corporate Image;</li> </ul>

	<ul style="list-style-type: none"> <li>• Corporate Governance</li> </ul>
<b>Cultural</b>	<p>Risks relating to the Municipality's overall culture, various factors related to organizational culture include:</p> <ul style="list-style-type: none"> <li>• Lack of Ownership;</li> <li>• Low Moral;</li> <li>• Cultural integration;</li> <li>• Entrenchment of ethics and values;</li> <li>• Goal alignment; and</li> <li>• Diversity</li> </ul>
<b>Communication</b>	<p>Internal Communication;          External Communication (Marketing);          Media Liaison;          Intergovernmental Relations;          Public Participation in the affairs of the Municipality</p>
<b>Reputational Risks</b>	<p>The reputation risks exposures due to the conduct of the Municipality as a whole, the viability of products or services, or the conduct of employees or other individuals associated with the Municipality.          Risks associated with reputations include:</p> <ul style="list-style-type: none"> <li>• Public Perceptions;</li> <li>• Poor Images;</li> <li>• Lack of Integrity;</li> <li>• Lack of transparency</li> </ul>

### 8. AWARENESS, TRAINING AND DEVELOPMENT

Risk Management activities must be performed with proficiency and due professional care. Continuous education and awareness through formal and informal training to all Council and municipal staff members is needed to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholder's expectations and high standard of services throughout the Breede Valley Municipality.

Management must exercise due professional care by considering the cost of managing the risk in relation to the value of the objective. Management defines and implements controls and actions to manage risk to reduce the probability of significant errors, irregularities or non-compliance.

The establishment and maintenance of an **enabling environment** includes information sharing processes; awareness and training on risk management; communication; change management; and continuous improvement.

#### 9. REVIEW AND APPROVAL OF THE POLICY

The Risk and Ethics Risk, Fraud and Corruption Management Committee (RFACMCO) must review this Policy every three (3) years and determine its adequacy and effectiveness for current circumstances and recommend to Council for approval.

Final 2019