10 March 2024

FACILITATION OF 2023/2024 RISK ASSESSMENT WORKSHOPS

Swellendam Municipality
Internal Audit Services

2023/2024 - 013

F. Coetzee
CHIEF AUDIT EXECUTIVE
(Overberg District Municipality)

This Engagement Conforms with the International Standards for the Professional Practice of Internal Auditing.

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Audit Ref No: **2023/2024 – 013**

Ms. A. Vorster
Municipal Manager
Swellendam Municipality

Dear Madam,

We have pleasure in submitting our Final Risk Management Consultancy Engagement Report.

The results of the engagement are aimed to assist management and the Municipality to achieve its objectives with regards to risk management processes.

Please take note that this report has been prepared solely for the management of Swellendam Municipality. We do not accept any responsibility to any third party to whom the contents may be disclosed or who at their own accord may decide to rely on it as the report has not been prepared for, and is not intended for, any other purpose.

This office would also like to thank the Management for their assistance and inputs during the engagement.

Please do not hesitate to contact the Internal Audit Activity if you have any questions on 028 514 8500.

INDEPENDENCE

In terms of IIA Standard 1112, the chief audit executive must put safeguards in place to limit impairments to independence or objectivity.

It is therefore concluded that Swellendam Municipality's Internal Audit Unit will not provide assurance on risk management and recommends that an external Internal Audit Unit provide assurance on the risk management processes of the Municipality due to the involvement of the Swellendam Municipality's internal audit unit.

Yours sincerely,

Mr. F. Coetzee
Chief Audit Executive
(Review purpose)
10 March 2024

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

In accordance with the Risk-Based Internal Audit plan for the 2023/2024 financial year, Internal Audit is required to assist the Municipality with the risk management processes in the absence a chief risk officer.

1.2 BACKGROUND INFORMATION

In terms of the Municipal Finance Management Act (MFMA) Section 62(1)(c)(i) and 95(c)(i)
The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure-
(c) that the municipality has and maintains effective, efficient and transparent systems-
(i) of financial and risk management and internal control.

In terms of the Municipal Finance Management Act (MFMA) Section 165 and 166.
The internal audit unit and audit committee of a municipality or municipal entity must-
advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to risk and risk management.

The Risk Management function resides within the office of the Municipal Manager who is responsible to manage the function, coordinate and render Risk Management services of the municipality to ensure efficient operations and support services in terms of the Fraud and Risk Management Charter, Policy, Implementation Plan and Strategy. However, as mentioned above, since the Risk Management function resides within the office of the Municipal Manager, internal audit was requested to assist management with the facilitation of the risk management engagements.

1.3 PURPOSE, SCOPE AND APPROACH

The purpose of the engagement is to facilitate the Risk Management process for February 2024 in order to ensure that the Municipality complies with its Risk Management Strategy and Implementation Plan. The engagement specifically focussed on the:

- Facilitation of the risk identification and assessment processes for the 2023/2024 financial year
- Scheduling of the risk management sessions with the relevant departments.
- Assist and facilitate the review of the Risk Management Policies and Procedural documents.
- Internal Audit facilitated the process by reviewing the current risk registers, other possible risks as identified from external risk resources such as the Institute of Risk Management South Africa (IRMSA) risk profile etc.

1.4 INTERNAL AUDIT TEAM

Audit Team	Name	Position
Internal Audit Unit of Swellendam Municipality	Mr. Flippie Coetzee	Chief Audit Executive (ODM- Review purpose only)
	Mr. Ashwin Petersen	Senior Internal Auditor
	Mr. Herschelle Swart	Internal Auditor
	Ms. Mariska Vermeulen	Internal Audit Intern

2. ENGAGEMENT RESULTS

As agreed with Management regarding the engagement scope, Internal Audit facilitated the 2023/2024 *annual risk assessments* in accordance with the Risk Management methodology (Risk Management Techniques and Models) and Implementation Plan.

Structured-facilitated brain-storming and interactive interview sessions were held with the relevant directorates. Please see below the processes that were followed as well as the results that were achieved:

- The Internal Audit Unit organised the sessions with the relevant members of each department of which they were expected to come with possible risks that the municipality is likely to face and to evaluate status of existing risks.
- Commonly the department's risk champions are composed of individuals from each division to give the risk identification a comprehensive coverage.
- The most important consideration in these sessions is that risks are not only those occurrences that management considers risky. Members speaks to entire processes and clear distinction and clarification (Risk Refresher Training) was provided by Internal Audit on theory and application of Enterprise/ Integrated Risk Management.
- Views from all individuals in various levels of the department are taken seriously and given sufficient attention.
- These structured interviews with individuals or groups were aimed at clarifying the details of the risks, investigate new risks or for checking areas of planned projects.
- Techniques that were frequently used were that of effect, reliability & maintainability analysis in order to effectively identify potential problem areas.
- Internal Audit relied mostly on the ability to probe for open-ended debate with a predetermined checklist to navigate to a point where relevant and appropriate risks could be identified. Risks outside the municipal environment (such as the Institute of Risk Management South Africa-IRMSA, the Institute of Internal Auditors (IIA) Top Risks and the World Economic Forum (WEC) was also considered during these engagements.
- Each risk whether strategic or operational were tailored to specific types of work/detail to ensure that all necessary and relevant information were captured.

Please see below the actions that were completed.

Action	Frequency	Due Date	Responsibility	Action Taken
Arrange a strategic risk identification and assessment workshop.	Annually	28 Feb 2024	MM	Completed: Risk Assessment Workshops were held 13 February 2024.
Prepare for the workshop, by obtaining the municipality's strategic objectives.	Annually	28 Feb 2024	MM	Completed

Action	Frequency	Due Date	Responsibility	Action Taken
Send notification of the workshop to the various department heads.	Annually	28 Feb 2024	MM	Completed: Notifications was sent to all attendees
Send preparation packs.	Annually	28 Feb 2024	MM	Completed: Preparation packs was circulated on the 06 February 2024.
Facilitate the strategic risk identification and assessment workshop. (Inherent & residual risk assessment)	Annually	28 Feb 2024	MM	Completed: Facilitated on 13 February 2024.
Ensure that all risks, controls, risk owners, risk responses and actions and dates are captured.	Annually	28 Feb 2024	MM	Completed: As part of the risk assessment workshop.
Ensure that risks are rated fairly.	Annually	28 Feb 2024	MM	Completed: As part of the risk assessment workshop.
Generate a strategic risk report.	Annually	31 March 2024	MM	Completed
Submit the strategic risk report to the risk management oversight committee.	Annually	31 March 2024	MM	Completed: Tabled to FARMCO on 13 February 2024.
Submit the minutes of the risk management oversight committee meeting to the AC.	Annually	30 June 2024	MM/FARMCO	Completed: Tabled to APAC on 16 April 2024.
Submit the report to the MM and the various department heads.	Annually	31 May 2024	MM	Completed: Final Report Tabled to FARMCO on 13 February 2024
Submit the report to Council.	Annually	30 June 2024	MM	To be done in 4th Quarter
Arrange operational risk identification & assessment workshops with the various	Annually	28 Feb 2024	MM/CRO	Risk Assessment Workshops were held 13 February

Action	Frequency	Due Date	Responsibility	Action Taken
departments.				2024.
Prepare for the workshop, by obtaining the objectives of each department etc.	Annually	28 Feb 2024	MM	Completed
Facilitate the operational risk identification and assessment workshop. (Inherent & residual)	Annually	28 Feb 2024	MM	Completed: Facilitated 13 February 2024.
Ensure that all risks, controls, risk owners, risk responses and actions and dates are captured.	Annually	28 Feb 2024	MM	Completed: As part of the risk assessment workshops
Ensure that risks are rated fairly.	Annually	28 Feb 2024	MM	Completed: As part of the risk assessment workshops
Generate an operational risk report for the directorates, highlighting the high risks.	Annually	31 March 2024	MM	Completed
Submit the report to the risk management oversight committee.	Annually	31 March 2024	MM/Risk Management Oversight Committee	Completed: Tabled to FARMCO on 13 February 2024.
Submit the minutes of the risk management oversight committee meeting to the APAC	Annually	30 June 2024	MM	Completed: Tabled to APAC on 16 April 2024.
Consolidate the various risk identified by the Risk Champions.	Annually	31 March 2024	MM	Completed: Tabled to APAC on 16 April 2024.
Provide Internal Audit (IA) with the approved operational risk register upon request.	Annually	31 March 2024	MM/IA	Completed

3. CONCLUSION

Internal Audit successfully facilitated the *Annual Risk Assessment Workshops as* several inputs were obtained from Management. The inputs from Management were subsequently included in the 2023/2024 risk registers. Please see below the top ten (10) strategic and operational risks of the Municipality.

Risk Type	Nr.	Risk Description	Inherent Exposure	Inherent Rating
Strategic Risks	1	Limited Lifecyle/ lifespan of Waste Disposal Facility (WDF) (Bontebok)	High	90
	2	Unpredictable Loadshedding: Unstable supply of electricity	High	90
	3	Illegal Electrical, Water and Waste Water connections	High	90
	4	Inability to manage Land Invasions & Erection of Illegal Structures	High	81
	5	Vandalism and Theft of Infrastructure	High	72
	6	Water and Waste Water treatment works authorisations	High	72
	7	Sewerage overflows	High	72
	8	Inability to sustained financial viability	High	72
	9	Inadequate Disaster Recovery and Business Continuity	High	72
	10	Loss of information	High	72
Operational Risks	1	Fires outages due to the vast amount of Alien Vegetation	High	72
	2	Ageing Roads and Stormwater infrastructure	High	70
	3	Illegal dumping	High	64
	4	Constraint in the Provision of Bulk Water	Medium	56
	5	Ageing sewerage infrastructure	Medium	56
	6	Failure to provide effective ICT network, systems, software and effective controls	Medium	56
	7	Limitation of funding to manage the municipality revenue	Medium	56
	8	Systems ineffective to manage procurement and contractors	Medium	56
	9	Technical complexity of the mSCOA classification, Version Changes and alignment	Medium	54
	10	Non-compliance to Electricity Licensing Conditions on the Electricity Distribution Design Network Principles	Medium	49

Attached to this report is the detailed consolidated (strategic and operational) risk registers for 2023/2024 agenda and minutes of meetings.

4. DISTRIBUTION LIST

This report has been prepared for the sole and exclusive use of Swellendam Municipality. Therefore, it may not be made available to anyone other than authorised persons within the organization, or relied upon by any third party. No part of this work may be reproduced or transmitted in any form by any means, electronic or mechanical, including photocopying and recording, or by information storage or retrieval system except as permitted, in writing by Swellendam Municipality.

No	Key Strategic Official(s)	Name	To Take Action	Secure Action	For information & oversight
1.	Audit and Performance Committee (APAC)	APAC Members		✓	✓
2.	Auditor-General of South Africa (AGSA)	Auditor-General of South Africa (AGSA)			✓
3.	Accounting Officer	Ms. A. Vorster		✓	✓
4.	Director: Financial Services	Ms. Wassermann			✓
5.	Director: Community Services	Mr. K Stuurman			✓
6.	Director: Infrastructure Services	Vacant			✓

5. ACCEPTANCE OF INTERNAL AUDIT REPORT

We agree to the observations and recommendations made and hereby accept the abovementioned report.

Ms. A Vorster
Municipal Manager

Comments: