



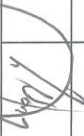
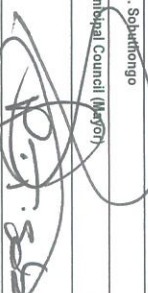
**Ntabankulu Local Municipality**

**2022/2023**  
**Fraud Risk Register**  
**COUNCIL RESOLUTION EXTRACT NO:**  
**OCM/9/22/007.2.2**

NLM - Fraud Risk Register 2022-2023

What is at Risk?	Risk Number	Risk Description	Root Causes	Risk		Control	Control Effectiveness		Residual		Risk Owner	Control Improvement	Action Owner	Time Scale
				Impact	Probability/Rate		Rating	Percentage	Rating	Level				
Road safety and municipal cash income	1	Municipal officials selling drivers and vehicle registration licenses	1. Poor controls 2. No ethics and fraud prevention training	Catastrophic	Critical	1. Fraud Prevention Policy; 2. MPAC 3. Licensing procedures; 4. Revenue Management Policy 5. Financial Misconduct Board	Weak	30%	Action	MM	1. Overall education of staff on ethics and fraud prevention. 2. Regular supervisory inspections and spot checks 3. Spot checks by internal audit and BTO	Manager Internal Audit	31-May-23	
Inaccurate balance sheet and reduced capacity to deliver services	2	Theft of municipal assets	1. Poor enforcement of Asset Management policies and procedures. 2. Overall culture of poor stewardship	Catastrophic	Critical	1. Fraud Prevention Policy; 2. MPAC 3. Asset Management Policy; 4. SCM Policies 5. Insurance Policy for Municipal assets 6. Financial misconduct Board 7. Consequence Management	Weak	30%	Action	CFO	1. Enforce SCM and Asset Management Policies more rigorously in all areas of the municipality.	1. Manager-Assets 2. Manager SCM	31-Dec-22	
Inaccurate balance sheet and reduced capacity to deliver services	3	Theft of municipal inventories	1. Poor enforcement of Inventory Management policies and procedures. 2. Overall culture of poor stewardship	Catastrophic	Critical	1. Fraud Prevention Policy; 2. MPAC 3. Asset Management Policy; 4. SCM Policies 5. Financial misconduct Board 6. Consequence Management	Weak	30%	Action	CFO	1. Enforce SCM and Asset Management Policies more rigorously in all areas of the municipality. 2. Appointment of inventory accountant, segregation of duties	1. Manager-Inventory 2. Manager SCM	31-Dec-22	
Inaccurate performance reports individually and for the institution	4	Submission of fraudulent progress reports in various disciplines such as performance management project management etc	1. Non-compliance with MFA and MSA performance management guidelines 2. Non-compliance with PMBOK and PRINCE2 3. Neglect of the Municipal Performance Management system and its quality assurance	Catastrophic	Critical	1. MFA and MSA performance management guidelines 2. Performance Management Guidelines as per Municipal Systems 3. Performance Auditing and Reporting 4. Municipal PMS Policy	Weak	30%	Action	MM	1. Enforce Organisational Performance Management Guidelines through Performance Contracts 2. Develop a culture of faith in Performance Management as a professional practice 3. Procurement of electronic PMS	All Directors	31-Dec-22	
Incompetent and dishonest staff employed resulting in poor service delivery and increased risk of fraud	5	Submission and acceptance of fraudulent and unverified staff CVs and qualifications.	No consistent vetting of staff qualifications and CVs.	Catastrophic	Critical	1. Municipal Systems Adt 2. HR policies	Weak	30%	Action	Director Corporate Services Middle Management- Managers and Officers)	1. Enforce rigorous CVs, criminal records and corporate qualification verifications. 2. Enforce minimum competency testing for the top two levels (Senior Management, Middle Management- Managers and Officers)	Manager HR	31-Dec-22	
Reducing the lifespan and full function of municipal fleet. Theft of fuel results in diminution of municipal working capital.	6	Abuse of municipal vehicles and fuel	1. Poor enforcement of fleet management procedures. 2. Poor control over fuel and other inventories and purchases	Catastrophic	Critical	1. Fleet Management Policy; 2. Inventory Management Policy; 3. MFA 4. Asset Management Policy 5. Fuel cards with monthly limits	Satisfactory	50%	Monitor	Director Corporate Services	1. Enforce Fleet Management and asset management corporate policy. 2. Ensure clear and direct supervision of fleet management transactions.	Manager Supply Chain Management	31-Dec-22	

Poor municipal Performance and Irregular, Unauthorised, Wasteful and Futile Expenditures	7	Appointment of the least qualifying or non-qualifying service providers (Supply Chain Irregularities)	1. Poor market studies of qualifying service providers and correct products/services. 2. Conflict of Interest 3. Payment of service providers after 30 Days 4. Underbudgeting for expenditures including non-cash items	Catastrophic	5 Critical	5	25	1. Supply Chain Policies, 2. MFMA and PFFA, 3. Supply Chain Code of Conduct, 4. Municipal Code of Conduct, 4. MPAC, Treasury and COGTA reports, 5. Approved Municipal Budgets	Weak	30%	Action	Director Corporate Services	1. Enforce ongoing and relevant market studies for both products/services and relevant competent providers. 2. Enforce Conflict of Interest measures. 3. Arranging debt order payments with Eskom and Telkom to avoid miscommunication. 4. Monitoring the service-delivery reserve bank account, created from 30% of VAT refunds to fund non-cash items.	Manager Supply Chain Management	31-Dec-22
Cash Collected and not banked	8	Missing Cash	1. Poor supervision and lack of spot checks. 2. Employment of unvetted staff.	Catastrophic	5 Critical	5	25	1. Banking and Management Policy, 2. MFMA, 3. Standard operating procedures for revenue section, 4. Financial misconduct Board, 5. Consequence Management	Weak	30%	Action	CFO	1. Enforce MFMA cash control guidelines 2. Enforce spot checks by both internal audit and BTO supervisors 3. Installation of smart box (electronic safe to be collected by external firm)	Revenue Manager	31-Dec-22

Prepared by:	L. Nonyongo	Approved by:	P. T. Sobhathongo
Designation	Municipal Manager	Designation	Municipal Council Mayor
Signature		Signature	

**NTABANKULU LOCAL MUNICIPALITY**

**Factors used in Risk Analysis**

Each risk is evaluated in terms of potential loss, likely hood of occurrence and the effectiveness of controls in place to manage the risks according to the criteria set out below

**Potential Loss / Impact**

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

**Likelihood**

Likelihood category	Category definition	Factor
Almost Certain	The risk is already occurring, or is likely to	5
Likely	The risk could easily occur, and is likely to	4
Moderate	There is an above average chance that the	3
Unlikely	The risk occurs infrequently and is unlikely to	2
Rare / Remote	The risk is conceivable but is only likely to	1

**Perceived control effectiveness**

Effectiveness category	Category definition	Factor
Excellent	Risk exposure is effectively controlled and	90,00%
Good	Majority of risk exposure is effectively	70,00%
Satisfactory	There is room for some improvement 50%	50,00%
Weak	Some of the risk exposure appears to be	30,00%
Unsatisfactory	Control measures are ineffective 10%	10,00%

**Inherent risk exposure**

Inherent risk exposure	Factor
Critical	>20
High	<sup>3</sup> 15 < 20 20
Moderate	<sup>3</sup> 10 < 15 15
Low	<sup>3</sup> 5 < 10 10
Minimum	< 5 5

**Residual risk exposure**

Residual risk exposure	Factor
Immediate Action	<sup>3</sup> 10
Action	<sup>3</sup> 7,5 < 10 10
Monitor	<sup>3</sup> 5 < 7,5 7,5
Acceptable	<sup>3</sup> 2,5 < 5 5
Excellent	< 2,5 2,5