MATJHABENG LOCAL MUNICIPALITY

OFFICE OF THE MUNICIPAL MANAGER

SUB-DIVISION: RISK MANAGEMENT

RISK ASSESSMENT REPORT – 4th Quarter 2016/17

1. Introduction

Risk Management is a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on the institution's service delivery capacity.

MFMA, section 62 (1) (c) (i) states that the Accounting Officer of a municipality is responsible for the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems off financial and risk management and internal control.

Treasury Regulations section 3.2.1 further prescribes that the Accounting Officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution.

2. Background

The municipality is bound by the Constitutional mandates to provide services in the interest of the public and the municipality does not have the luxury of functioning in a risk free environment, like any Public Sector institution, it also encounter risks inherent in producing and delivering such goods and services.

The municipality is loaded with unique challenges, such as lack of capacity, lengthy decision lead time, limited resources and Infrastructure backlogs to mention a few. In this context the municipality places a high importance on positioning Risk Management as a central part of service delivery improvement.

Against this background, Risk Management Unit conducted risk awareness sessions for the whole Matjhabeng from April 2016 to June 2016. Management and staff gave support to this exercise and they were given an assignment of updating their Risk Register and return it back to the Risk Management Unit on the respective dates according to the schedule.

Assessments were done for the following sections:

LED & Housing: Development Control, Housing Admin, Housing Development, Land Affairs, Rental Accommodation, Tourism.

Community Services: Traffic Training, Waste Management.

Corporate Services: Customer Care.

Municipal Manager's Office: Internal Audit, IDP.

Finance: Budget, Credit Control, ICT, SCM.

3. Appreciation

Risk Management Unit would like to take this opportunity to express its gratitude and appreciation to all Directors, Senior Managers, Managers and the staff at large for the participation in the Risk Management awareness and assessment that took place in our municipality.

4. Executive Summary

It should be noted that Risk Management is not about naming and shaming, it is all about being realistic about the risks an institution faces and being proactive. Risk Management assists the municipality with the following:

4.1 Support efficient use of resources (Risk Based decision making),

4.2 Promoting continuous improvement,

4.3 Minimize surprises,

4.4 Reassure the stakeholders,

4.5 Rationalization of capital and financial resources,

4.6 Helps Internal Audit to comply with Internal Audit   Framework and IIA standards, continuity of service delivery

4.7   From LED's risk register the following major risks were identified:

   4.7.1 Development Control department

        4.7.1.1 Uncontrolled development of erven which can influence property values and investment confidence.

        4.7.1.2 Uncontrolled development of erven which can influence property values and investment confidence.

   4.8 It is recommended that the following be implemented (Development Control):

        4.8.1 Compile a uniform Land Use Management Plan for Matjhabeng with the assistance with the Department of Rural Development and Land Reform.

        4.8.2   Appoint   new   Town   Planners. Compile the new Land Use Management Plan. Strengthen the By Law Enforcement Section of the municipality. Department of Rural Development and Land Reform to assist the Municipality financially and the process will start January 2016 and to be completed December 2016.

   4.9 The following major risks were identified from Housing Development department:

4.9.1 Housing backlogs due to limited control over the development and provision of housing.

4.10 It is recommended that the following be implemented (Housing Development):

4.10.1 Obtain accreditation to become a metropolitan municipality in order to award subsidies and appoint contractors without the interference of Provincial Department Human Settlement, the following requirements are have to be met:

-	Housing	Sector	Plan
-	Spatial	development	plan
-	IDP Infrastructure	Master	Plan
-	Accreditation	Business	Plan

- Clean audit.

4.10.2 Develop and approve Housing Allocation Policy.

4.10.3 Beneficiary Management online system is used to verify the validity of beneficiaries. (HSS).

4.10.4 Municipality in consultation with the PHS is busy compiling template where indication of problems regarding the provision of housing will be focused on the present going to into Future.

4.11 From MM's Office risk register the following major risks were identified:

4.11.2 Internal Audit department

4.11.2.1 No credible and risk based Internal Audit Plan.

4.11.2.3 Non-implementation of IA recommendations by Management.

4.11.3 It is recommended that the following be implemented (Internal Audit):

4.11.3.1 Submission of Risk Policy, Strategy & Risk Assessment Reports to Risk Management Committee by CRO.

4.11.3.2

Conduct annual risk assessments for the update of the risk register in accordance with Risk management implementation plan by CRO.

4.11.3.3 Audit Committee as oversight to hold management accountable for audit findings raised and not addressed, though their quarterly meetings.

4.11.4 IDP department

4.11.4.1 No established and functional performance management section.

4.11.5 It is recommended that the following be implemented (IDP):

4.11.5.1 PMS Framework to be reviewed annually and approved.

4.11.5.2 Development of PMS policy.

4.11.5.3 Quarterly performance assessments are audited by IA.

4.11.5.4 Establishment of performance oversight committee in accordance with MSA.

4.12 From Community Services' risk register the following major risks were identified:

4.12.1 Traffic Training department

4.12.1.1 Lack of resources i.e. personnel, vehicles and equipment (facilities i.e. refurbishment of the building, the shooting range).

4.12.1.2 The personnel structure of the academy.

4.12.2 It is recommended that the following be implemented (Traffic Training):

4.12.2.1 To ensure that the academy has its own resource i.e. K78 trailer, speed equipment and alcohol dragger.

4.12.2.2 To ensure the approval of the structure and have sufficient personnel.

4.13 From Corporate Services' risk register the following major risks were identified:

4.13.1 The following major risks were identified from Customer Care department:

4.13.1.1 Failure to revamp telephone system & providing a switchboard services to the internal and external stakeholders.

4.13.2 It is recommended that the following be implemented (Customer Care):

4.13.2.1 Enhance interaction with current Service Provider on faulty lines/service and fast track re-tendering for a complete new and high-tech system.

4.13.3 The following major risks were identified from ICT department:

4.13.3.1 Interruption of the normal working environment.

4.13.3.2 DRP & BCP not in place.

4.13.4 It is recommended that the following be implemented (ICT):

4.13.4.1 Plan to replace all IT outdated infrastructure (switches and servers) on the coming financial year.

4.13.4.2 The implementation of Virtual Private Network (VPN) will stabilize our network.

4.13.4.3 Plan to have cloud backup with Telkom.

4.14 From Finance' risk register the following major risks were identified:

4.14.1 Credit Control

4.14.1.1 Refusal by the community to pay the municipality services.

4.14.2 It is recommended that the following be implemented (Credit control):

4.14.2.1 Continue communication via media and ward council meetings.

4.15   Generally the following major risks were identified:

4.15.1 Inability for the municipality to collect debt from the community.

4.15.2 Inability to report accurately (Sec 52, 71, 72, 79).

4.15.3 The municipality does have the Policies however they are either inadequate or outdated.

4.15.4 Ineffective contract management system.

4.15.5 Internal Audit plans are not credible due to non-execution of Institutional wide risk assessment.

4.15.6 There is a shortage of staff and officials are acting in a position for a long period of time, which creates a risk of entitlement to a post;

4.15.7 Official's morale is also low based on the fact that their Performance is not evaluated to determine if they need to be developed or not;

4.15.8 Some of officials do not have job descriptions and do not sign the Performance Agreement as a result they do not know what is expected of them.

4.15.9 Lack of controls or implementation thereof due to lack of monitoring within the departments e.g. abuse of overtime.

4.15.10   Insufficient budget and inadequate service delivery vehicles.

4.15.11   There is lack of procedures for consistency, continuity and record management which results in discrepancies.

4.16   It is recommended that regularly the following be implemented:

4.16.1 Have regular risk awareness workshops with officials including political offices.

4.16.2 Have a workshop with officials on the policies of the municipality and outline the accountability in terms of non-implementation thereof.

4.16.3 Prioritize the filling of critical posts.

4.16.4 Amend the current system of performance evaluation to incorporate the evaluation of performance for other officials not in management to be able to determine if officials needs to be developed to improve the performance thereof.

4.16.5 Ensure that each and every official sign the performance agreement, this will assist during the evaluations.

5   Objective and Scope

5.1 Project Objectives

The objective of the project was to:

* Have a detailed risk profile of all departments,

- Enable Internal Audit to develop a risk based Audit Plan,
- To enable the municipality to implement a risk aware culture.

5.2 Project Scope

The scope of the project has covered the following:

- Risk awareness sessions to respective managers and staff.
- Facilitation of risk identification, assessment and action plans for the municipality.
- Risk Register.

5.3 Project Scope Limitation

Due to time constraints other sections were requested to complete the risk register in their respective sections and due dates were set for each section. The discussions sessions were held with departments and to show them how the register works in terms of risk identification and action plan.

Monitoring of the implementation of the action plan will be done regularly by the Risk Management Unit.

6 Risk Management Process Followed
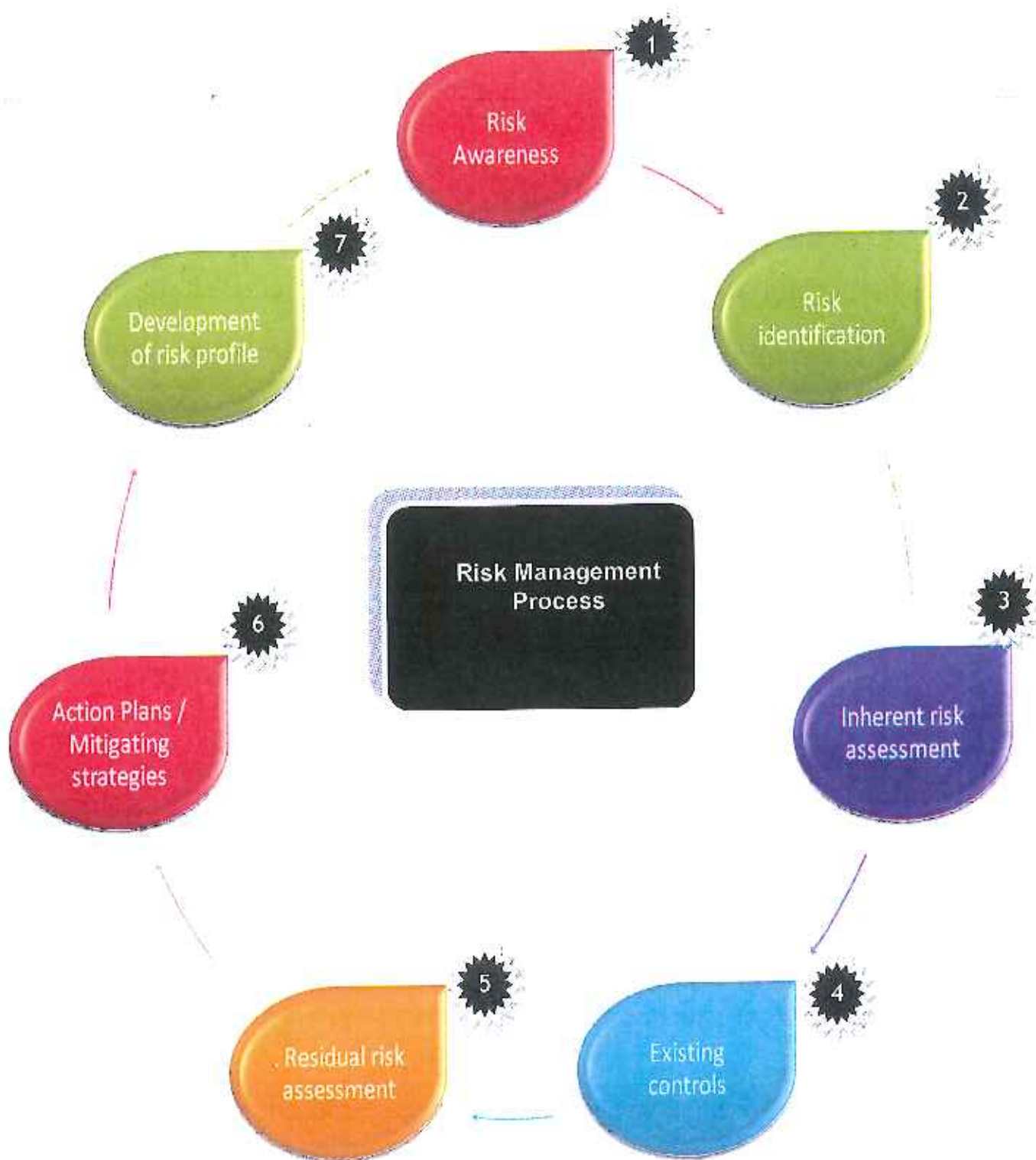
7. Approach

Public Sector Risk Management Framework was used as a guide to identify, assess risks for the department (sections) measurable objectives as stated in the SDBIP of the Municipality.

7.1 Risk Awareness

The Institution's internal environment is the foundation of risk management, providing discipline and structure for Risk Management to function and mature.

Risk Awareness session was conducted to management of the respective sections to enable them to have an understanding of Risk Management and that it is their responsibility to manage risks within their respective departments.

7.2 Risk Identification

After the risk awareness sessions the Risk Officer had sessions with different departments and train them on how to identify the risk, with the limited time the Risk Officer were able to identify as many as possibly can and were afforded the opportunity to identify some more in their own time.

7.3 Risk Assessment

The Inherent Risk Rating was done during the second session with the department. Officials identified existing controls aimed at minimizing the identified risks. In the event where controls are not in place it was indicated as such and thereafter the risks were rated again to get the Residual Risk Magnitude.

8. Risk Rating Technique

The following risk rating guide was used as identified in the municipality's risk management strategy:

IMPACT CRITERIA:

Rating	Assessment	Definition
1	Insignificant	Negative outcomes or missed opportunities that are likely to have a negligible impact on the ability to meet objectives
2	Minor	Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives
3	Moderate	Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives

| 4 | Major | Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives |
| 5 | Critical | Negative outcomes or missed opportunities that are of critical importance to the achievement of the objectives |

LIKELIHOOD CRITERIA:

Rating	Assessment	Definition
1	Rare	The risk is conceivable but is only likely to occur in extreme circumstances
2	Unlikely	The risk occurs infrequently and is unlikely to occur within the next 3 years
3	Moderate	There is an above average chance that the risk will occur at least once in the next 3 years
4	Likely	The risk could easily occur, and is likely to occur at least once within the next 12 months
5	Common	The risk is already occurring, or is likely to occur more than once within the next 12 months

INHERENT RISK EXPOSURE (Impact X Likelihood)

Risk rating	Inherent risk magnitude	Response
15 - 25	High	Unacceptable level of risk – High level of control intervention required to achieve an acceptable level of residual risk
8 – 14	Medium	Unacceptable level of risk, except under unique circumstances or conditions – Moderate level of control intervention required to achieve an acceptable level of residual risk
1 - 7	Low	Mostly acceptable – Low level of control intervention required, if any

RESIDUAL RISK EXPOSURE (Impact X Likelihood)

Risk rating	Residual risk magnitude	Response
15 - 25	High	Unacceptable level of residual risk – Implies that the controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). Controls require substantial redesign, or a greater emphasis on proper implementation.
8 – 14	Medium	Unacceptable level of residual risk – Implies that the controls are either inadequate (poor design) or ineffective (poor implementation). Controls require some redesign, or a more emphasis on proper implementation.
1 - 7	Low	Mostly acceptable level of residual risk – Requires minimal control improvements.

RISK MAPPING:

		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
	Almost Certain (5)	5	10	15	20	25
	Likely (4)	4	8	12	16	20
	Moderate (3)	3	6	9	12	15
	Unlikely (2)	2	4	6	8	10
LIKEHOOD	Rare (1)	1	2	3	4	5
		IMPACT				

9. Risk Analysis

Below is a list of all the high (red) residual risks that were identified.

9.1

Directorate	Section	Objective	Risk Description	Colour Indicator
LED	Development Control	1. Compilation and upgrading of a uniform Land Use Management Plan for Matjhabeng.	1.1 Uncontrolled development of erven which can influence property values and investment confidence.	High
Directorate	**Section**	**Objective**	**Risk Description**	**Colour Indicator**
LED	Housing Development	1. To promote the security of tenure.	1.1 Housing backlogs due to limited control over the development and provision of housing.	High

9.2

Directorate	Section	Objective	Risk Description	Colour Indicator
Municipal Manager's Office	Internal Audit	1. To create an efficient, effective and accountable administration.	1.1 No credible and risk based Internal Audit Plan. 1.2 Non-implementation of IA recommendations by management.	high
Directorate	**Section**	**Objective**	**Risk Description**	**Colour Indicator**
Municipal Manager's Office	IDP	1. To establish a functional and capacitated performance management unit.	1.1 No established and functional performance management section.	High

9.3

Directorate	Section	Objective	Risk Description	Colour Indicator
Community Services	Traffic Training	1. Skills development.	1.1 Lack of resources i.e. personnel, vehicles and equipment's (facilities i.e. refurbishment of the building, the shooting range, 1.2 No personnel structure of the academy. 1.3 Shortage of accommodation for outside learners (learners from other regions).	High
	Waste Management	1. Waste collection from each house hold on a weekly basis. 2. Illegal dumping management plan. 3. No efficien management and maintenance of landfill sites.	1.1 No proper Maintenance of vehicles and equipment 1.2 Inability to make Procurement of vehicles. 2.1 No proper Maintenance of vehicles and equipment. 3.1 Lack of equipment to maintain and manage the site. 3.2 Lack of personnel	High

			training as to how to operate the site. 3.3 No fencing on the site (people are exposed to the site for there is no access control) Reluctance by the community to attend the lifesaving skills. 3.4 Theft.	

9.4

Directorate	Section	Objective	Risk Description	Colour Indicator
Corporate Services	Customer Care	1. To develop and implement a municipal wide integrated complaints management system. 2. To provide responsive customer care services. 3. Efficient and effective management of the telephone system.	1.1 Inability to have a single integrated customer care centre, fully operational and adequately resourced. 2.1 Inability to ensure that complaints and community concerns are addressed within a reasonable timeframe. 3.1 Failure to revamp telephone system & providing a switchboard services to the internal and	High

			external stakeholders.	
		4. Develop a Customer Care Policy and Charter.	4.1 Customer care policy-Non-compliance with the municipal policy. 4.2 Service charter-unprofessionalism and not providing service standards.	

9.5

Directorate	Section	Objective	Risk Description	Colour Indicator
Finance	Credit Control	1. To improve the payment rate from 72% to 80%.	1.1 Refusal by the community to pay the municipality services.	High
	ICT	1. Provide ICT support services. 2. Develop ICT Disaster Recovery Plan & Business Continuity Plan and sites.	1.1 Interruption of the normal working environment. 2.1 DRP & BCP not in place.	High

| | SCM | 1. To ensure timely procurem ent of goods and services in complian ce with SCM Policy and regulation . | 1.1 Inability for the to receive the quotations from the service providers within a set timeframe. 1.2 Inability to procure goods and service timely. | |

10. Conclusion and Recommendation

When properly executed risk management provides reasonable, but not absolute assurance, that the institution will be successful in achieving its goals and objectives.

It is recommended that management prioritise the management of the identified risks. The Action Plan is incorporated in the Risk Register per risk and has due dates together with the column for reporting on the Action Plan Progress.

Risk management should further be regularly monitored which is a process that will assesses both the presence and functioning of its components and the quality of their performance over time and on the action plans that have been identified.

It is also recommended that the Risk Officer should continue with the following:

> Consolidate all outstanding risk ratings together with mitigating strategies for one complete register.
> Assist department with the identification and wording of Risk descriptions.
> Continuously monitoring and reassessing all risk identified according to the municipalities risk implementation plan.
> Continuously updating all emerging risks on the risk register.

Compiled by

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P. Sefuthi   Date

Acting Senior Accountant: Risk Management