

02/09/2022

To: **THE SPEAKER**

Cllr. Stefanie Lockman-Naidoo  
Item to Council

## **APPROVAL OF THE RISK MANAGEMENT POLICY AND NOTING OF THE RISK MANAGEMENT COMMITTEE REPORTS**

### **1. PURPOSE**

The purpose of this report is to present to Council the reviewed Risk Management Policy for approval and the previous financial years' Risk Management Committee reports for noting.

### **2. BACKGROUND**

In terms of MFMA Act 56 of 2003 [section 62(1)(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 the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control".

The National Treasury Risk Management Framework indicates that as part of the Council's responsibility in risk management, it needs to approve the risk management policy in order to set the tone for risk management implementation in the municipality.

Furthermore, King IV Report's Supplement on Municipalities recommends that Council should serve as a focal point and custodian of corporate governance in municipalities. Its leadership role is expressed amongst others by approving policy that gives effect to the direction provided.

### **3. DISCUSSION**

Risk management is a systematic process to identify risks to the municipality in achieving its strategic objectives as determined in the Integrated Development Plan (IDP). Through this policy the City puts into practice its commitment to implement risk management and institutionalise a culture of Integrated/Enterprise Risk Management within the City.

The previous Risk Management Committee in its meeting of the 12<sup>th</sup> August 2021, reviewed and recommended for approval the 2021/2022 Risk Management Policy (*Annexure A*) and its annual performance report for 2020/2021 (*Annexure C*) financial year; but these documents never served in Council.

Furthermore, the interim Risk Committee in its meeting of the 15<sup>th</sup> August 2022 reviewed the draft Risk Management Policy (*Annexure B*) for the current term of Council and recommended for approval. The term of the previous Risk Committee ended on the 31<sup>st</sup> June 2022 and its performance report for the year 2021/2022 (*Annexure D*) has been submitted for noting.

#### 4. ALIGNMENT OF THE COUNCIL STRATEGIES

Good governance.

#### 5. FINANCIAL IMPLICATIONS

None.

#### 6. LEGAL IMPLICATIONS

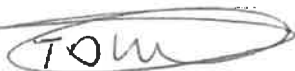
The policy is supported on the basis that it aligns with the relevant legislations.

#### 7. RECOMMENDATIONS

It is therefore recommended that Council:

7.1 Approves both Risk Management Policies (*Annexures A and B*).

7.2 Takes note of the 2020/2021 and 2021/2022 financial years' Risk Management Committee reports (*Annexures C and D*).



.....  
**Acting City Manager**  
Mr. Tebogo Motlashuping

06/09/2022

.....  
**Chlr. Mxolisi Siyonzana**  
Executive Mayor



**MANGAUNG METROPOLITAN  
MUNICIPALITY**

**RISK MANAGEMENT POLICY  
2021.2022**

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## **1. INTRODUCTION AND BACKGROUND**

In terms of sections 62(1)(c)(i) and 95(c)(i) of the Municipal Finance Management Act (No 56 of 2003) (hereafter the MFMA), the Accounting Officer is required to ensure that the City has and maintains an effective, efficient and transparent systems of risk management.

Through this revised policy the City puts into practice its commitment to implement risk management and institutionalise a culture of Integrated Risk Management (IRM) within the City. This policy forms the basis for the accompanying Risk Management Strategy and Implementation Plan which is designed to help achieve the objective of implementing an effective IRM process and to ensure compliance with the legislative framework.

Risk management is a systematic process to identify risks to the municipality in achieving its strategic objectives as determined in the integrated development plan. It is an integral part of the approach to decision making and accountability, comprising the organisational culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the municipal environment.

## **2. POLICY INTENT**

The intention of this policy cannot be to eliminate all risks to the municipality. It is to assist personnel to manage the risks involved in all activities to maximise opportunities and minimise adverse consequences. Furthermore, the aim of this policy is to ensure that informed decisions with regard to the activities that are undertaken by personnel appropriately considers both risks and opportunities.

However, this Risk Management Policy forms part of the City's internal control and governance arrangements. It sets out a high-level overview for managing risks within the City. This policy outlines the outcomes and compliance obligations regarding the Risk Management for all employees.

## **3. COMMITMENT STATEMENTS**

Mangaung Metropolitan Municipality is committed to the effective risk management and treatment of risks in order to achieve its objectives. Management of risk is the responsibility of all Executives, Senior Management and Employees.

Section 62 (1) (c) (i) of the MFMA requires that "the municipality has and maintains effective, efficient and transparent systems of financial, risk management and internal control."

**MMM Risk Management Policy**

Mangaung Metropolitan Municipality will make sure:

- Risk Management is an integral part of the municipality's key business planning, resourcing and decision making processes;
- There is a consistent and systematic approach to the management of risks across the municipality that Risk Management Strategy is followed and complied with;
- Staff have the necessary training to allow them to participate in risk management activities;
- That the municipality is honest in relation to the risks and challenges facing the municipality;
- Employees become aware of the risks associated with their area of work and must manage these risks to be within tolerance level by using risk management response strategies outlined in the municipal's risk management strategy.

**4. POLICY OBJECTIVES**

- a. To explain the Municipality's approach to risk management and ensure that it has a consistent and effective approach to risk management;
- b. To ensure that the Municipality's culture and processes encourage the identification assessment and treatment of risks that may affect its ability to achieve its objectives;
- c. To explain key aspects of risk management;
- d. To clearly indicate the risk management reporting procedures;
- e. To hold executive, management and officials accountable for the implementation of risk management on their area of responsibility;
- f. To create an environment where all the Municipality's employees take responsibility for managing risk;
- g. To create a more risk aware organizational culture through enhanced communication and reporting of risk;
- h. To improve corporate governance and compliance with relevant legislation.

The implementation of this policy will provide Mangaung Metropolitan Municipality with a basis and a framework for:

- more confident and rigorous decision-making and planning;
- better identification of opportunities and threats;
- pro-active rather re-active management;
- more effective allocation and use of resources;
- improved management and reduction in loss and cost of risk;
- improved stakeholder confidence and trust;
- a clear understanding by all staff of their roles, responsibilities and authorities for managing risk.

## **5. PRINCIPLES**

- a. Risk management is recognised as an integral part of responsible management and therefore, Mangaung Metropolitan Municipality adopt a comprehensive approach to the management of risk. The features of this process are outlined in the Municipality's Risk Management Strategy. It is expected that all Directorates' operations and processes will be subject to the risk management strategy. It is the intention that these components work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.
- b. Risk management must be embedded in the strategic planning of the Municipality.
- c. As risk management is necessary for planning and decision making. Risk management must be embedded in all the decision making processes. Before decision is taken, the risks it poses must be identified.
- d. The Municipality's risk tolerance level must be determined by top management and outlined in the Risk Management Strategy.
- e. All personnel must be willing and able to take calculated risks to achieve their own performance and the Municipality's objectives and to benefit the Municipality. The associated risks of proposed actions and decisions must be properly identified, evaluated and managed to ensure that exposures are acceptable.
- f. The Municipality will conduct a risk assessment on an annual basis with a review or re-assessment of the risks conducted on quarterly basis to ensure maximum mitigation thereof.
- g. Risks will be owned and managed by the Directorates where the risk resides.
- h. This policy is subject to a review as and when there's a need or at least once within a term of Council.

## **6. LEGISLATION**

The Accounting Officer / City Manager commits Mangaung Metropolitan Municipality to a process of risk management that is aligned to the principles of good corporate governance, as supported by:

- The Constitution of the Republic of South Africa, Act 108 of 1996
- Municipal Finance Management Act (MFMA), Act 56 of 2003;
- Municipal Systems Act (MSA) Act 117 of 1998);

- Municipal Structures Act (MSA) Act 32 of 2000; and
- National Treasury Public Sector Risk Management Framework.

## **7. OUTCOMES**

The expected outcomes of this policy are as follows:

- The municipality has a credible Risk Register (Strategic, Operational and Fraud) with associated mitigating strategies;
- Executive leadership and Senior Management undertake a formal review and analysis of Strategic risks on an annual basis;
- Senior Managers, Managers and other relevant staff undertake a formal review and analysis of Operational and Fraud Risk Register;
- Management review the progress of risk mitigating strategies quarterly through the use of the Risk Management Committee;
- Post-event analysis is undertaken to capture 'lessons learned' from significant risk events.

## **8. REPORTING**

### **8.1 REPORTING BY THE CHIEF RISK OFFICER**

8.1.1 The Risk Owners must submit quarterly reports on risk management activities in their units to the Chief Risk Officer.

8.1.2 The Chief Risk Officer must consolidate, analyse and submit a quarterly report to the Risk Management Committee and Audit Committee on risk management activities not limited to the following:

- What has been done to date to implement the control measures in different directorates;
- The effectiveness of the control measure in addressing / eliminating / managing the identified risks;
- Progress on the Risk Management Implementation Plan;
- Reasons that the target date on the action plan could not be reached;
- Any new potential risks that may arise in different directorates;
- To what extent a culture of risk management has been implemented in the Municipality.



## **8.2 REPORTING BY THE RISK MANAGEMENT COMMITTEE**

8.2.1 The Risk Management Committee will submit a quarterly report to the Accounting Officer that will outline the work performed by the committee and recommendations in that specific quarter and must consider the responsibilities outlined in the risk management committee charter.

8.2.2 The Risk Management Committee will submit an annual report to the Council that will outline the work performed by the committee in that specific year.

## **9. MONITORING**

- a. The Chief Risk Officer must monitor the effectiveness of risk mitigating strategies on quarterly basis.
- b. The Risk Management Committee must monitor implementation and effectiveness of the risk management function quarterly.
- c. The internal audit unit must provide independent assurance on the effectiveness of risk management activities in line with their internal audit coverage plan.

## **10. POLICY ADMINISTRATION**

The Risk Management Unit is responsible for the monitoring and revision of this policy. The policy shall be revised and approved by Council when operational needs require this, but at least once during every term of Council.

### **RECOMMENDED**

THAT the **Risk Management Policy** and the contents thereof be tabled for approval by Council.

**Version:**           Version 1





**MANGAUNG METROPOLITAN  
MUNICIPALITY**

**RISK MANAGEMENT POLICY**

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## **1. INTRODUCTION**

In terms of sections 62(1)(c)(i) and 95(c)(i) of the Municipal Finance Management Act (No 56 of 2003) (hereafter the MFMA), the Accounting Officer is required to ensure that the City has and maintains an effective, efficient and transparent systems of risk management. Furthermore, this policy has incorporated policy contents requirement as provided by the National Treasury Risk management Framework and King IV Report on Corporate Governance.

Through this policy the City puts into practice its commitment to implement risk management and institutionalise a culture of Integrated Risk Management (IRM) within the City. This policy forms the basis for the accompanying Risk Management Strategy and Implementation Plan which is designed to help achieve the objective of implementing an effective IRM process and to ensure compliance with the legislative framework.

Risk management is a systematic process to identify risks to the municipality in achieving its strategic objectives as determined in the integrated development plan. It is an integral part of the approach to decision making and accountability, comprising the organisational culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the municipal environment.

## **2. POLICY INTENT**

The intention of this policy cannot be to eliminate all risks to the municipality. It is to assist personnel to manage the risks involved in all activities to maximise opportunities and minimise adverse consequences. Furthermore, the aim of this policy is to ensure that informed decisions with regard to the activities that are undertaken by personnel appropriately considers both risks and opportunities.

However, this Risk Management Policy forms part of the City's internal control and governance arrangements. It sets out a high-level overview for managing risks within the City. This policy outlines the outcomes and compliance obligations regarding the Risk Management for all employees.

## **3. COMMITMENT STATEMENTS**

Mangaung Metropolitan Municipality is committed to the effective risk management and treatment of risks in order to achieve its objectives. Management of risk is the responsibility of all Executives Management, Senior Management and Employees.

Mangaung Metropolitan Municipality will make sure:

- Risk Management is an integral part of the municipality's key business planning, resourcing and decision making processes;
- There is a consistent and systematic approach to the management of risks across the municipality that Risk Management Strategy is followed and complied with;
- Staff have the necessary training to allow them to participate in risk management activities;
- That the municipality is honest in relation to the risks and challenges facing the municipality;
- Employees become aware of the risks associated with their area of work and must manage these risks to be within tolerance level by using risk management response strategies outlined in the municipal's risk management strategy.

#### 4. POLICY OBJECTIVES

- a. To explain the Municipality's approach to risk management and ensure that it has a consistent and effective approach to risk management;
- b. To ensure that the Municipality's culture and processes encourage the identification assessment and treatment of risks that may affect its ability to achieve its objectives;
- c. To explain key aspects of risk management;
- d. To clearly indicate the risk management reporting procedures;
- e. To hold executive, management and officials accountable for the implementation of risk management on their area of responsibility;
- f. To create an environment where all the Municipality's employees take responsibility for managing risk;
- g. To create a more risk aware organizational culture through enhanced communication and reporting of risk;
- h. To improve corporate governance and compliance with relevant legislation.

The implementation of this policy will provide Mangaung Metropolitan Municipality with a basis and a framework for:

- more confident and rigorous decision-making and planning;
- better identification of opportunities and threats;
- pro-active rather re-active management;
- more effective allocation and use of resources;
- improved management and reduction in loss and cost of risk;
- improved stakeholder confidence and trust; and
- a clear understanding by all staff of their roles, responsibilities and authorities for managing risk.

#### 5. PRINCIPLES

- a. Risk management is recognised as an integral part of responsible management and therefore, Mangaung Metropolitan Municipality adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Municipality's Risk Management Strategy. It is expected that all Directorates' operations and processes will be subject to the risk management strategy. It is the intention that these components work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.
- b. Risk management must be embedded in the strategic planning of the Municipality.
- c. As risk management is necessary for planning and decision making. Risk management must be embedded in all the decision making processes. Before decision is taken, the risks it poses must be identified.
- d. The Municipality's risk tolerance level must be determined by top management and outlined in the Risk Management Strategy.
- e. All personnel must be willing and able to take calculated risks to achieve their own performance and the Municipality's objectives and to benefit the Municipality. The associated risks of proposed

actions and decisions must be properly identified, evaluated and managed to ensure that exposures are acceptable.

- f. The Municipality will conduct a risk assessment on an annual basis with a review or re-assessment of the risks conducted on quarterly basis to ensure maximum mitigation thereof.
- g. Risks will be owned and managed by the Directorates where the risk resides.

**6. ROLES AND RESPONSIBILITIES**

All officials within the Municipality have a responsibility for maintaining good internal controls and managing risks in order to achieve the Municipality’s objectives. The primary responsibility for the identification and management of risk however lies with Management. The Risk Management Strategy and Implementation Plan provides guidance on the steps required in order to comply with the policy directives.

Below is a summary of roles and responsibilities for key risk management role players:

<b>6.1 RISK MANAGEMENT OVERSIGHT</b>	
6.1.1 Council	<ul style="list-style-type: none"> <li>- Provides policy, oversight and review of risk management.</li> <li>- 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 Municipality against significant risks and to ensure the achievement of objectives as detailed in the IDP.</li> </ul>
<b>6.2 RISK MANAGEMENT ADVISORY BODIES</b>	
6.2.1 Audit Committee	<ul style="list-style-type: none"> <li>- The Audit Committee is an independent committee responsible for oversight of the Municipality’s controls, governance and risk management.</li> <li>- The responsibilities of the Audit Committee with respect to risk management are formally defined in its charter.</li> </ul>
6.2.2 Risk Management Committee	<ul style="list-style-type: none"> <li>- The Risk Committee has been constituted by the City Manager to provide the appropriate forum and governance structure to assist the City Manager and management in discharging their risk management responsibilities and providing an enabling environment to ensure that the Municipality complies with laws, regulations and recognised governance frameworks.</li> <li>- The responsibilities of the Risk Committee are formally defined in its terms of reference.</li> </ul>
<b>8.3 RISK MANAGEMENT IMPLEMENTERS</b>	
6.3.1 City Manager	<ul style="list-style-type: none"> <li>- The City Manager is ultimately accountable for risk management and the institutionalisation of enterprise risk management in the Municipality.</li> <li>- The City Manager is accountable for the overall governance of risk within the Municipality.</li> <li>- By setting the tone at the top, the City Manager promotes accountability, integrity and other values that will create a positive control environment.</li> </ul>

6.3.2 Management	<p>- Management at all levels within the Municipality must support the Municipality's Risk Management Philosophy (Strategic Intent), promote compliance with the risk appetite and risk tolerance levels and manage risk within their areas of responsibility.</p> <p>- Management as risk owners, are accountable to ensure that:</p> <p>(a) Risk assessments are to the best of their knowledge correct and complete;</p> <p>(b) Appropriate decisions are made and appropriate reporting is done timeously.</p>
6.3.3 Other Officials	<p>- Other officials are responsible for integrating risk management into their day-to-day activities by for e.g. ensuring conformance with controls.</p>
<b>6.4 RISK MANAGEMENT SUPPORT</b>	
6.4.1 Chief Risk Officer (CRO)	<p>- The CRO is the custodian of the Risk Management Policy, Risk Management Strategy and Implementation Plan and coordinating the risk management activities throughout the Municipality.</p> <p>- The primary responsibility of the CRO is to assist the Municipality in institutionalising risk management and leveraging its benefits to enhance performance.</p>
6.4.2 Risk Champions	<p>- Risk Champions are responsible in coordinating the risk management activities within their respective Directorates together with the Risk Management Unit.</p> <p>- Intervene in instances where the risk management efforts are being hampered within their directorates.</p>
<b>6.5 RISK MANAGEMENT ASSURANCE PROVIDERS</b>	
6.5.1 Internal Audit	<p>- The core role of Internal Audit in risk management is to provide an independent, objective assurance to Council on the effectiveness of risk management.</p> <p>- 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 to provide recommendations for improvement where necessary.</p>
6.5.2 External Audit	<p>- During audits the Auditor-General of South Africa highlights weaknesses and deficiencies with regards to controls and provides independent assurance on the effectiveness of the risk management activities of the Municipality.</p>

**7. OUTCOMES**

The expected outcomes of this policy are as follows:

- The municipality has a credible Risk Register (Strategic, Operational, Fraud and Project) with associated mitigating strategies;
- Executive leadership and Senior Management undertake a formal review and analysis of Strategic risks on an annual basis;



- Senior Managers, Managers and other relevant staff undertake a formal review and analysis of Operational, Fraud and Project Risk Register;
- Management review the progress of risk mitigating strategies quarterly through the use of the Risk Management Committee;
- Post-event analysis is undertaken to capture 'lessons learned' from significant risk events.

## **8. REPORTING**

### **8.1 REPORTING BY THE CHIEF RISK OFFICER**

8.1.1 The Risk Owners must submit quarterly reports on risk management activities in their units to the Chief Risk Officer.

8.1.2 The Chief Risk Officer must consolidate, analyse and submit a quarterly report to the Risk Management Committee and Audit Committee on risk management activities not limited to the following:

- What has been done to date to implement the control measures in different directorates;
- The effectiveness of the control measure in addressing / eliminating / managing the identified risks;
- Progress on the Risk Management Implementation Plan;
- Reasons that the target date on the action plan could not be reached;
- Any new potential risks that may arise in different directorates; and
- To what extent a culture of risk management has been implemented in the Municipality.

### **8.2 REPORTING BY THE RISK MANAGEMENT COMMITTEE**

8.2.1 The Risk Management Committee will submit a quarterly report to the Accounting Officer that will outline the work performed by the committee and recommendations in that specific quarter and must consider the responsibilities outlined in the risk management committee charter.

8.2.2 The Risk Management Committee will submit bi-annually report to the Council that will outline the work performed by the committee in that specific year.

## **9. MONITORING**

- a. The Chief Risk Officer must monitor the effectiveness of risk mitigating strategies on quarterly basis.
- b. The Risk Management Committee must monitor implementation and effectiveness of the risk management function quarterly.
- c. The internal audit unit must provide independent assurance on the effectiveness of risk management activities in line with their internal audit coverage plan.

## **10. POLICY ADMINISTRATION**

The policy shall be revised and approved by Council when operational needs require this, but at least once during every term of Council.

**To: THE SPEAKER**  
 Item to Council

## THE RISK MANAGEMENT COMMITTEE REPORT FOR 2020/21 FINANCIAL YEAR

### 1. PURPOSE

The purpose of this report is to present the report for noting by Council on the activities and performance of the Risk Management Committee for the 2020/21 Financial Year.

### 2. LEGAL BACKGROUND

In terms of sections 62(1)(c)(i) and 95(c)(i) of the Municipal Finance Management Act (No 56 of 2003) (hereafter the MFMA), the Accounting Officer is responsible for managing the financial administration of the municipality; and for this purpose take reasonable steps to ensure that- the municipality has and maintains an effective, efficient and transparent system of risk management.

### 3. COMMITTEE GOVERNANCE

#### 3.1 Composition and Meetings:

Members of the Risk Management Committee includes both internal and external members. The internal members were appointed by the Accounting Officer and external members' positions were advertised. During the year under review, the Committee comprised of 2 external members and 10 internal members. The Committee furthermore invited General Managers (GMs) Internal Audit, Legal Services and acting Chief Technology Officer as standing invitees.

The Committee is in its second year of the three-year appointment which ends 30<sup>th</sup> June 2022. The Committee meets formally 4 times a year (quarterly). The Chairperson and the members attended the meetings as follows for 2020/21 financial year:

Member	Status	Attendance			
		20/08/2020	21(28)/01/2021	15/03/2021	09(28)/06/2021
ML Ralikonyana (Chairperson)	External Member	Attended	Attended	Not Attended	Attended
V Koma	External member	Attended	Attended	Attended	Attended
SE Mofokeng	Chief Financial Officer	Not Attended	Attended	Attended	Attended
D Nkaiseng	HOD: Corporate Services	Attended	Attended	Not Attended	Attended
J Phaladi	HOD: Human Settlements	Not Attended	Attended	Attended	Not Attended

M Ndlovu	HOD: Engineering Services	Attended	Attended	Attended	Attended
MG Nkungwana	HOD: Social Services	Not Attended	Attended	Not Attended	Attended
I Kgamanyane	Chief of Metro Police	Not Attended	Not Attended	Not Attended	Not Attended
S More	HOD: Solid Waste & Fleet Management	Not Attended	Attended	Attended	Attended
BS Mthembu	HOD: Planning	Attended	Not Attended	Attended	Attended
T Maine	HOD: Economic & Rural development	Attended	Attended	Attended	<i>Acting City Manager</i>
MB Comakae	Acting DED: Operations	Attended	Attended	Attended	Attended

### **3.2 Terms of Reference:**

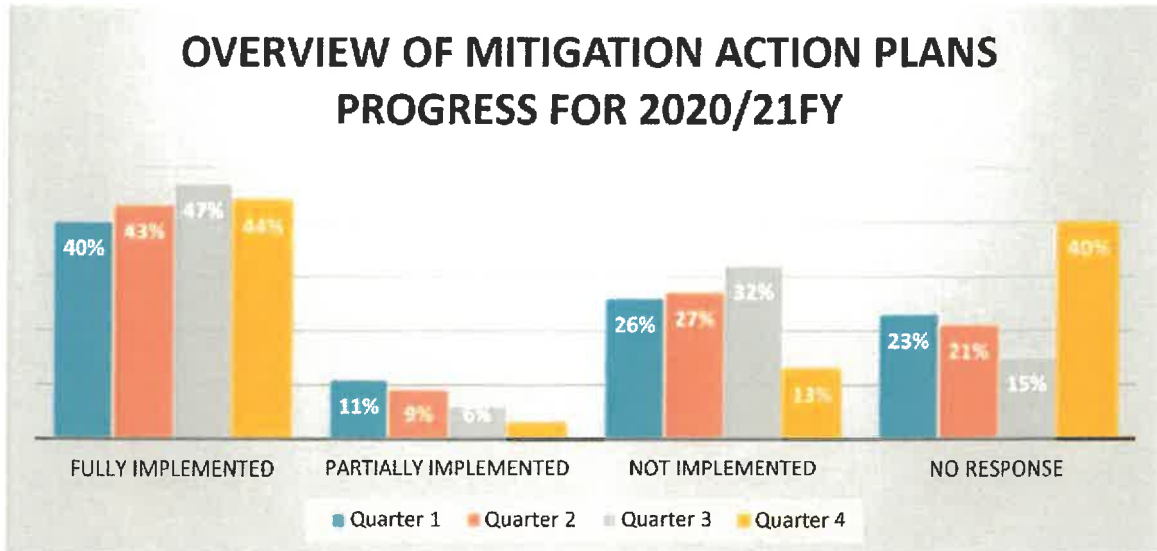
The Committee operates in accordance with the formal terms of reference and risk management implementation plan. These were reviewed and approved by the Accounting Officer in October 2020. A copy of the committee's terms of reference is hereto attached as Annexure A.

### **3.3 Key Activities:**

Management together with other officials are responsible for the implementation and execution of risk management process. In the year under review the Committee reviewed the following documents:

- Risk Management Terms of Reference
- Risk Management Policy
- Risk Management Strategy
- Risk Management Implementation Plan

The Committee furthermore reviewed the municipal wide risk register containing the strategic, operational and fraud risks. COVID-19 related risk register and relevant controls were considered. The server crash report was considered with continuous monitoring of its action plan. On a quarterly basis the progress on implementation of mitigation strategies were monitored. The table below presents the progress made in implementing risk mitigation strategies in order to manage high and medium residual risks to an acceptable level:



There are challenges in mitigating risks to an acceptable residual risk and the main reasons are Covid-19 restrictions and financial constraints. The quarterly risk management reports are available on request.

#### **3.4 Assurance on Risk Management:**

The Risk Management Unit undertook a risk maturity assessment which is an on-line National Treasury tool to assess the maturity of the risk management implementation within the City. The City obtained a score of 3.1 which means there is compliance as per the National Treasury Public Sector Risk Management Framework though there are areas which need improvement.

Furthermore, Internal Audit Unit on quarterly basis provides assurance on the implementation of the risk management activities and once a year External Auditors (AGSA) probes into the activities of risk management.

There is a noticeable improvement in risk management culture within the City as the risk management reports serve both in the Executive Management Team (EMT) and Audit Committee meetings.

#### **3.5 Reflection on the Municipalities Risk-related weaknesses**

The absence of a Business Continuity Plan/ Disaster recovery plan places the City on odds as this may give an indication of potential ceasing of operations should a hazardous and threatening event or occurrence take place.

Senior Management and Council are advised to identify the acceptable level of risk to be assumed by the City on compliance, financial and operational issues. The risk tolerance levels should be set by and monitored on a quarterly basis, to ensure that the municipality accept a level of risk that would still allow continued operations.

### **3.6 Key recommendations:**

In deliberating and addressing key risks within the municipality the following recommendations were made and are yet to be addressed:

- Council approval of the Risk Management Policy.
- Development and approval of a Data Reimbursement Policy as a result of the new way of holding meetings through virtual platforms.
- Development of the Municipal wide Business Continuity Framework/Plan.
- Implementation and compliance with POPIA.
- The City to consistently apply internal controls to manage risks that are already occurring, where needs be, consider controls redesign.

## **4. CONCLUSION**

The Risk Management Committee is aware of the occurring risks within the City and the challenges associated with implementation of the mitigation strategies specifically on financial related risks. There are continued efforts to address these risks including the implementation of the Financial Recovery Plan. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

## **5. RECOMMENDATIONS**

It is recommended that Mangaung Metro Municipality Council:

5.1 take note of the Risk Management Committee report for 2020/21 financial year.



Ms. L Ralikonyana  
Chairperson of the Risk Management Committee  
12 August 2021

**To: THE SPEAKER**  
Cllr. Stefanie Lockman-Naidoo  
Item to Council

## THE RISK MANAGEMENT COMMITTEE REPORT FOR 2021/2022 FINANCIAL YEAR

### 1. PURPOSE

The purpose of this report is to present to Council for noting the activities and performance of the Risk Management Committee for the 2021/2022 Financial Year.

### 2. LEGAL BACKGROUND

In terms of sections 62(1)(c)(i) and 95(c)(i) of the Municipal Finance Management Act (No 56 of 2003) (hereafter the MFMA), the Accounting Officer is responsible for managing the financial administration of the municipality; and for this purpose take reasonable steps to ensure that- the municipality has and maintains an effective, efficient and transparent system of risk management.

### 3. COMMITTEE GOVERNANCE

#### 3.1 Composition and Meetings:

Members of the Risk Management Committee includes both internal and external members. The internal members were appointed by the Accounting Officer and external members' positions were advertised. During the year under review, the Committee comprised of 2 external members and 10 internal members. The Committee furthermore invited General Managers (GMs) Internal Audit, Legal Services and acting Chief Technology Officer as standing invitees.

The Committee is in its third year of the three-year appointment which ends 30<sup>th</sup> June 2022. The Committee met formally three times this financial year and the fourth meeting could not be held as the contracts of most HODs came to an end in March and April 2022 . The Chairperson and the members attended the meetings as follows for 2021/2022 financial year:

Member	Status	Attendance			
		12/08/2021	18/11/2021	16/02/2022	11/05/2022
ML Ralikonyana (Chairperson)	External Member	Attended	Attended	Attended	No meeting
V Koma	External member	Attended	Attended	Attended	No meeting
SE Mofokeng	Chief Financial Officer	Attended	Attended	Not Attended	No meeting
D Nkaiseng	HOD: Corporate Services	Attended (rep)	Attended	Attended	No meeting



J Phaladi	HOD: Human Settlements	Attended	Attended	Attended	No meeting
M Ndlovu	HOD: Engineering Services	Attended	Attended	Attended	No meeting
MG Nkungwana	HOD: Social Services	Attended (rep)	Attended	Not Attended	No meeting
I Kganyane	Chief of Metro Police	Not Attended	Not Attended	Not Attended	No meeting
S More	HOD: Solid Waste & Fleet Management	Acting CM	Acting CM	Not Attended	No meeting
BS Mthembu	HOD: Planning	Attended	Attended	Attended	No meeting
T Maine	HOD: Economic & Rural development	Attended	Attended	Attended (rep)	No meeting
MB Comakae	Acting DED: Operations	Attended	Attended	Not a member	

### **3.2 Terms of Reference:**

The Committee operated in accordance with the formal terms of reference and the risk management implementation plan. These were reviewed and approved by the Accounting Officer in September 2021. A copy of the committee's terms of reference is hereto attached as Annexure A.

### **3.3 Key Activities:**

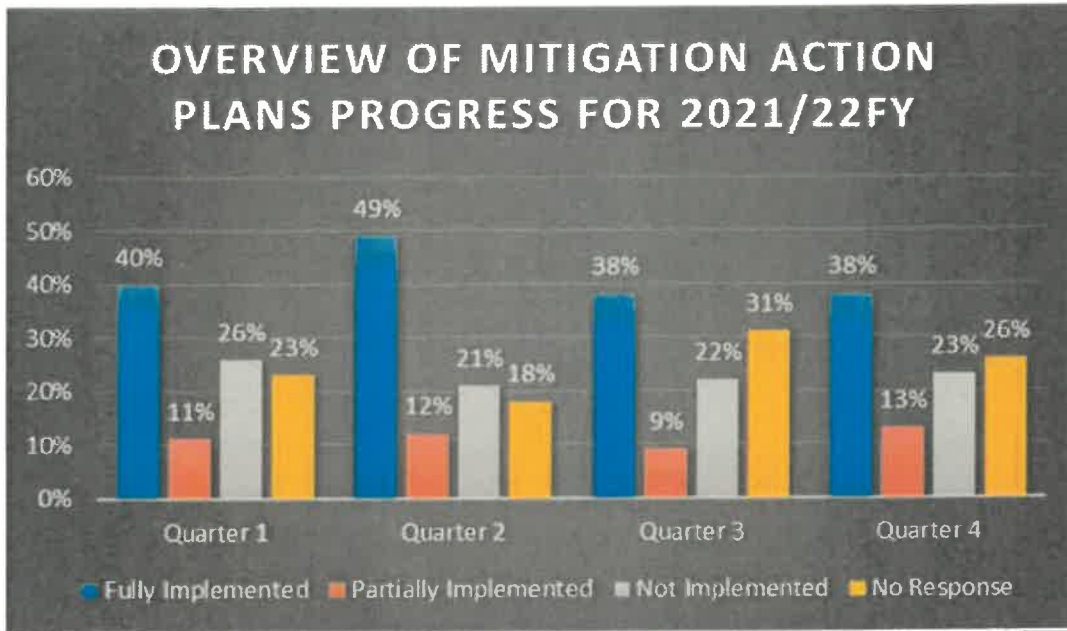
Management together with other officials are responsible for the implementation and execution of risk management process. In the year under review the Committee reviewed the following documents:

- Risk Management Terms of Reference
- Risk Management Policy
- Risk Management Strategy
- Risk Management Implementation Plan

The Committee furthermore reviewed the municipal wide risk register containing the strategic, operational and fraud risks. On quarterly basis progress on implementation of risk mitigation strategies were monitored. Timely response to the Risk Management Unit is a challenge in the City with no consequence management.

The table below presents the progress made in implementing risk mitigation strategies in order to manage high and medium residual risks to an acceptable level:





There are challenges in mitigating risks to an acceptable residual risk in the City and the main reason amongst others is financial constraints. Hence a number of risks have occurred without being prevented or mitigated to an acceptable level.

#### **3.4 Assurance on Risk Management:**

The Risk Management Unit undertook a risk maturity assessment using the National Treasury assessment tool for the first 6 months of the year. The City obtained a score of 4 which means "risk management is firmly embedded in the Institution. Metrics to measure the value-added of risk management are in place. Aggregated risk management information is circulated to relevant officials and oversight structures as a matter of routine." There is compliance as per the National Treasury Public Sector Risk Management Framework though there are areas which need improvement.

Furthermore, Internal Audit Unit on quarterly basis provides assurance on the implementation of the risk management activities and once a year External Auditors (AGSA) probes into the activities of risk management.

#### **3.5 Reflection on the Municipalities Risk Related Weaknesses**

3.5.1 The absence of a Business Continuity Plan/ Disaster recovery plan places the City on odds as this may give an indication of potential ceasing of operations should a hazardous and threatening event or occurrence take place.

3.5.2 Though the City achieved an unqualified audit opinion with findings for 2020/2021 financial year, the Auditor General's report pointed out concerns as it relates to non-compliance with laws and regulations as well as inadequate implementation of internal controls. The Committee also noted a similar pattern in the current financial year without much effort to manage this and institute consequence management.

3.5.3 There has been continuation of risk occurrences or risks that have materialized throughout the year without proper prevention or management thereof; amongst others poor service delivery, unrests, inadequate resources (both financial and non-financial), governance instability (both political and administrative), financial instability, etc. All of these have had the City's reputation at a negative which will affect investment into the City.

3.5.4 Performance management remains a challenge as certain directorates have incumbents who do not have the necessary skills to perform what is required of them. Other directorates have acting officials, which is an invariably problematic situation.

3.5.5 To date the City has not appointed the City Manager and Heads of Departments (HODs) for the current term of Council. Furthermore, the review and approval of the organizational structure is still pending which exacerbate the administrative instability.

3.5.6 A number of administrative committees have not been sitting to deal with some of the administrative challenges the City is faced with e.g. ICT Steering Committee, Overtime Committee, Performance Management Committee, etc.

3.5.7 There has been noticeable delay in serving of strategic documents or reports in Council for approval or noting. Some of the policies of the City are still worded Mangaung Local Municipality.

3.5.8 There has been a delay in implementation of the Protection Of Personal Information Act (POPIA) in the City and this could have serious implications for the City if not addressed.

### **3.6 Key Recommendations:**

In deliberating and addressing key risks within the municipality the following recommendations were made and recommended:

- The City must develop a Municipal wide Business Continuity Framework/Plan.
- The City must consistently apply internal controls to manage risks that are already occurring, where needs be, consider controls redesign.
- The review and approval of the organizational structure must be prioritize as well as appointment of qualified City Manager and HODs.
- The City must consider conducting skills audit and ensure that officials are placed in posts where they have adequate skills to carry out their responsibilities.
- The City must develop and implement a performance management system for all officials.
- The City must resuscitate the administrative committee and ensure functionality thereof.
- The City must review all Policies and By-Laws for Council approval and there's a need to stream line the receipt and processing of Council items.
- The City needs to put measures in place to ensure compliance with POPIA.

#### 4. CONCLUSION

The Risk Management Committee is aware of the challenges the City is facing and continued efforts to address these challenges including the implementation of the Financial Recovery Plan. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

#### 5. RECOMMENDATIONS

It is recommended that Mangaung Metro Municipality Council:

5.1 take note of the Risk Management Committee report for 2021/2022 financial year.

**Submitted by:**



Ms. MM Mototo

Chief Risk Officer

Date: 15 August 2022

**Recommended by:**



Mr. T Motlashuping

Acting City Manager

Date: 06/09/2022