Next Step Academy (Pty) Ltd
Certificate: Municipal Financial Management

Competent

Assessment	Judgement	
1	C	NYC
2	C	NYC
3	C	NYC

Thank you for the quality assignment.

5 September 2023

I liked the qay you have analysed the risks, and the alignment with the 3LOD model

Learner PoE Guide

Apply Risk Management in South African Municipalities
Unit Standard ID
116339
NQF level 6
11 credits

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Company	Drakenstein Municipality
Learner Signature and Date	25 August 2023

Formative assessments

Activities based on Unit 1:

Risk and the importance of managing risk in a municipal environment.

ACTIVITY NO 1.1:

Evidence Activity	**Is Evidence Present in File**
Activity 1.1	
This activity will assist you to understand the definition of risks and why its management is needed in municipalities	Yes
1.1.1 Why did the wakeup call come from organisations to realise the importance of risk management?	Yes
Organisations do not function within a risk-free environment, especially municipalities. Municipalities core function is to render basic services to the community. Many of these service delivery and performance targets may be difficult to achieve if management does not address internal and external risks that may affect the achievement of these objectives. Risk Management should be integrated within the municipality so that management can adequately assess and address the risks that can prevent them of achieving their objectives. If this is not done, it will have a negative effect on the municipality's resources (finances, employees, assets etc.), and prevent the municipality to render services. If municipalities do not realise the importance of risk management in a municipality, the number of municipalities that needs to be placed under administration would increase significantly, economic growth would be declining, and the state of towns and cities would be deteriorating. For risk management to be effective, management buy-in is required through a top-down approach so that a culture can be created where risk management forms part of the day-to-day operations and where it is embedded in the strategic and operational decision-making processes to enable management to achieve their objectives.	

1.1.2 Why did government decide to take action on failing municipalities?	Yes
Government had to act on failing municipalities to improve good governance, financial position and their ability to render services to communities Government reacted to these failing municipalities by placing them under administration or through provincial intervention as failing municipalities contribute to poor service delivery, deteriorating infrastructure, increased fraud and corruption, slow economic growth, increased protest actions etc. In an article published on Business Tech's website on 25 August 2021 (***This map shows the best and worst run municipalities in South Africa – BusinessTech***), it stated that 64 municipalities were considered high risk municipalities. The indicators to determine the risk category for the municipalities included political, governance, administrative, financial management and service delivery components. Furthermore, the Auditor General's outcome from the 2020/2021 financial year found that the financial position at 28% of municipalities are so dire that there is a great concern whether they will be able to operate as a going concern. Without financial means, municipalities will not have the financial means to pay employees, creditors, perform the necessary maintenance and repair work and therefore be unable to render services which will have a great economic and social impact on communities, and therefore Government needs to take action to prevent municipalities collapsing.	
1.1.3 How does risk management contribute to good governance?	Yes
Risk Management contributes to good governance as mechanisms can be put in place to ensure that the municipality is transparent in their decision-making process, to establish accountability and ensure ethical conduct. If good governance is not in place, there is an increased risk of corruption and mismanagement of public funds. Integration of risk management within a municipality will assist management to be aware of governance related risks such as non-compliance to legislative requirements and internal policies. Internal controls can be implemented to mitigate the risks and ongoing monitoring and reporting can take place.	

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Activities based on Unit 2:

The legislative frameworks

ACTIVITY NO 2.1:

Evidence Activity	**Is Evidence Present in File**
Activity 2.1	
2.1.1 Why was the responsibility of risk management enacted?	Yes
The responsibility of Risk Management was enacted in Local Government in terms of Section 62(1)(c) of the Municipal Finance Management Act No.56 of 2003 where the Accounting Officer is responsible to have an effective, efficient and transparent system of financial and risk management that is supported by a system of internal control in place. Other legislation also enacts a responsibility to municipalities in terms of risk management processes that needs to be in place. This responsibility was allocated to the Accounting Officer to ensure that risks are addressed and that a good system of control is in place to mitigate risks and to ensure compliance to legislative requirements.	
2.1.2 Describe 3 Acts which refer specifically to risk management in a municipality. **Hint:** List / name these Acts. All acts included are relevant	Yes
1. Municipal Finance Management Act (No. 56 of 2003) This act relates specifically to municipalities. In this act, the responsibility to have effective risk management in place is allocated to the Accounting Officer. The Act stipulates certain responsibilities relating to risk management within the municipality, although the ACT does make provision for all risk areas within the municipality. The Accounting Officer will therefore need to identify these risk areas so that it can also be addressed even though the Act might be silent on certain components. Furthermore, in terms of the Act, Internal Audit is required to provide oversight on risk management processes within the municipality and advise the Accounting Officer and any findings must be reported to the Audit Committee.	

2. Disaster Management Act (No. 57 of 2002) This act requires each municipality to have a Disaster Management Plan in place which needs to be reviewed annually. Each municipality is also required to have a Disaster Management Centre in place. Part of the centre's responsibilities are to ensure that risk assessments are conducted to identify risks relating to disasters and to ensure that adequate steps are in place to mitigate these risks are in place to reduce the impact of risks when they materialize and/or to minimize the likelihood of the risk occurring.
3. Occupational Health and Safety Act (No. 85 of 1993) This act requires the municipality as an employer to have risk management processes in place to ensure the health and safety of employees whilst they perform their duties. The responsibilities of the municipality in terms of risk management are stipulated in sections 9, 10,12 and 13 of the acts. The municipality is also required to identify, assess and mitigate risks and to inform safety representatives of the risks and treatment thereof.

2.1.3 Is your municipality only complying with the laws or has risk management been embedded in the day-to-day operation? **Hint:** Explain why it is important for risk management to be embedded in the day-to-day operation.	Yes
Drakenstein Municipality is not only complying to the above-mentioned legislation, but integrated risk management into the day-to day operations of the municipality. A separate Risk Management division was created to assist the municipality with Risk Management activities within the municipality and to provide feedback to the City Manager and the Fraud and Risk Management Committee (FARMCO) that was established to advise the City Manager of risk management within the municipality. Risk Management is a standing item on Strategic Management Team (SMT) and Executive Management Team (EMT) meetings that are held weekly. Risk owners have also been allocated to risks assigning accountability and to ensure that risks are addressed and monitored.	

2.1.4 How would you change the management mindset to view risk management as an opportunity rather than an extra compliance liability. **Hint:** Explain the steps that you would take to ensure that you get management" buy-in." This should include an explanation of what risk management is and the benefits of risk management.	Yes

Drakenstein Municipality is privileged that risk management processes are well established within the day-to-day operations of the municipality and that the Risk Management division has the buy-in and support of management to view it as an opportunity rather than an extra compliance liability. This was however not achieved overnight and required numerous focused risk management discussions with the City Manager and the Executive Directors. The steps to see Risk Management as an opportunity rather than a compliance liability included amongst others the following:

Step 1: Explaining the importance of Risk Management within a municipal environment to the City Manager and his Executive Directors. Focus should be placed to make it a practical discussion rather that the academic discussion;

Step 2: Informing management that risk management is not an additional task that needs to be performed as this is already being done daily without them realizing it. They have already identified challenges that may prevent them from performing their duties and/or achieving certain set targets, they have implemented measures to assist them in dealing within these challenges either by reducing the effect it might have on the municipality of to prevent it from occurring, and it is being monitored so that any changes that may have an affect are addressed accordingly.

Step 3: Assisting management to show them how effective risk management processes can add value to the municipality's decision-making processes and to ensure that strategic objectives are achieved. This can also assist with the budgeting process, organizational requirements etc. to ensure that services delivery can take place and that is according to the required standard;

Step 4: Risk Management should be a support function that assists management. It should be an ongoing process with regular interaction with various stakeholders. For Risk Management to be effective and be a value-add function, Risk Management should be part of various meetings within the municipality to gather information across functions and to inform management of any potential risks that may arise so that it can be addressed accordingly and/or that management can make informed decisions on the way forward.

Step 5: Regular reporting and feedback needs to be provided to management on risk management.

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Activities based on Unit 3:

An integrated risk management framework

ACTIVITY NO 3.1:

Evidence Activity	**Is Evidence Present in File**
Activity 3.1	
3.1.1 Describe the main steps of a typical risk model.	Yes

1. Risk identification

% steps aligned to ISO 31000

Risks needs to be identified which could be classified as future events that may take place that may prevent the municipality from achieving its objectives and/or opportunities not taken.

Various methods can be used to identify risks. This can include risk workshops which is currently the preferred method at the municipality, the completion of questionnaires such as the control risk self-assessment, meetings where emerging risks are discussed and the identification of risks though data analysis.

To identify risks, management needs to consider internal and external factors that may have a positive or negative impact on the municipality when it occurs. Factors to consider may include amongst other the following:

- Internal factors such as processes, personnel, infrastructure and technology; and
- External factors such as the economic environment, natural environment, political environment, social environment and technological environment.

The identification of risks can be on different levels such as strategic, tactical (departmental) and operational risks, and these risks can be further categorized into different categories such as financial, political, compliance, personnel risks etc.

2. Risk assessment

Once risks have been identified, the risks need to be assessed. The assessment of risks is important as this will assist management to prioritize risks and to establish which risks require immediate intervention by management to mitigate (treat) the risks. To assess the risk exposure to the municipality, management needs to assess what the potential consequences may be for the municipality when the risk materializes (impact) and what the chances are that this risk might occur (likelihood). The inherent impact and likelihood are assessed according to the municipality's risk assessment methodology. Current mitigating actions also needs to be identified and assessed to determine the adequacy and effectiveness of mitigating controls implemented to treat identified risks. Taking the effectiveness of controls into consideration will assist the municipality to establish the remainder of the risk (residual risk) where a decision needs to be taken on how the municipality will respond to the risks.

3. Risk analysis

Risks also needs to analyse to determine the root cause of the risks. Usually, the root cause should be addressed to prevent the risks from materializing and/or to limit the potential effect the risk may have on the municipality. Through risk analysis, the municipality will also be able to determine how a risk within one department can affect the operations of another department when the risk materialize.

4. Risk response

Based on the outcome of the risk assessment and analysis, management need to determine how they would like to respond to the risk. We currently have the following risk responses available as per Drakenstein Municipality's approved methodology:

- Treatment: This is when management decide to treat the risk through the implementation of additional controls, improving current processes etc.
- Transfer: This is when management decides to transfer the risks. Insurance is a good example where risk of theft may be transferred to an insurance company as we will be able to submit a claim to the insurance company, therefore we have transferred the financial impact an incident of theft may have on the municipality.
- Terminate: This is where management decide to avoid the risk so that there is no likelihood that the risk can materialize. In a municipal environment it can be difficult to terminate certain risks, however certain risks may be terminated where a decision is made not to take opportunities due to the associated risks involved.

Tolerate: This is where management decides to accept the risk and the consequences should the risk materialize
5. Risk monitoring and control Risks need to be monitored on a continuous basis, especially as there may be certain internal and/or external factors that can either increase of decrease the risks exposure to the municipality. Due to continuous changes in the risk environment, management needs to monitor whether the current controls that we have in place to treat risks are effective and relevant.
6. Communication and reporting Communication of risks are vital. Without adequate communication of risk information to management, they may be ill informed regarding risks that the municipality is exposed to, the impact it might have on the municipality should the risk materialize and how the municipality is responding to risks. When risk information is communicated to management, they can make informed decisions and be better prepared to respond to risks. It is therefore important that risk related information is reported to all the relevant stakeholders as this will keep them informed and ensure that risk management processes are open and transparent.
7. Monitor and review. The risk management model, and especially the risk assessment methodology needs to be reviewed annually to ensure that the risk model remains relevant. The risk model should be aligned to incorporate any changes that were made such as organizational structure amendments and to make improvements where necessary based on lessons learned. Risk management is an ever-evolving process and therefore the risk model needs to be reviewed to ensure that risk management remains relevant and effective.

3.1.2 What is meant by the **risk maturity model** and what is the **risk continuum?**	Yes
Risk Maturity Model The risk maturity model is a model that provides guidelines for risk management practices within the municipality. There are various stages within the risk maturity model that provides guidance and assists municipalities on the best practices to develop, improve and maintain effective risk programs. The risk maturity model for municipalities has various levels of maturity ranging from an initial stage where risk management is regarded as an ad hoc function which is not fully integrated within municipal processes up to an advanced stage where it is fully integrated where management have a pro-active approach towards managing risks and where risk indicators are monitored	

through data analytics.

Risk Continuum

Risk continuum refers to the evaluation of risks where the risks can be categorized into different levels based on the likelihood and the potential impact of the risks. Depending on the level of the risk (high, medium or low risks), the risk needs to be responded to. Various factors are evaluated which assists management to determine the best management response to mitigate the risks, and where required, mitigating actions can be implemented.

3.1.3 Describe the rating model and the action for each rating.	Yes

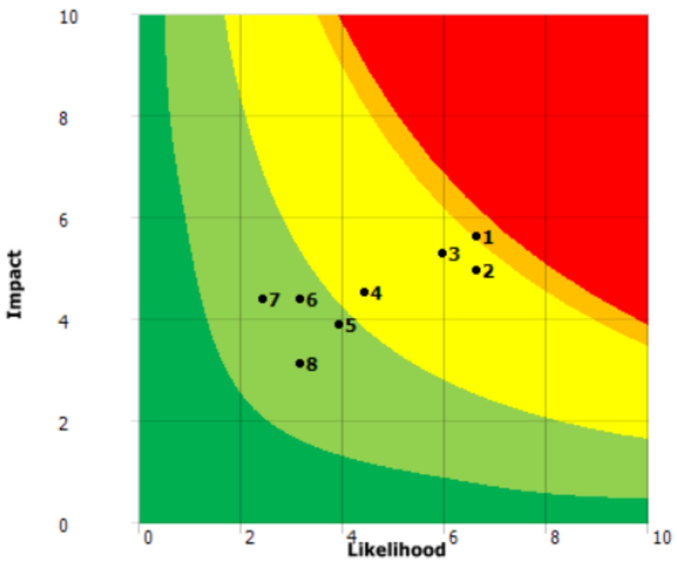
The rating model indicates:

The risk rating model can be divided into three stages. Firstly, the inherent risks need to be determined by assessing the likelihood and impact before any treatment. Secondly management needs to assess the effectiveness of controls that have been implemented to mitigate the risk. Implemented controls can reduce the impact of a risk when it materialises and/or prevent/limit the occurrence of an incident. Based on the inherent risks and the effectiveness of controls, the risk exposure level can be determined to which management needs to respond. Depending on the risk exposure level, certain additional actions may be required to mitigate high risks where management may choose to accept low risks

Inherent risk rating = Inherent Impact x Inherent Likelihood

Residual risk rating = Inherent Risk Exposure X (1 - Control Effectiveness Rating)

The diagram below is an illustration of the residual risk ratings based on the municipality's risk assessment methodology.



The action for each rating is set out below:

Colour category	Residual risk rating value	Residual risk rating priority	Risk acceptability	Risk response guidelines
Dark Green	Less than 10	Priority 5	Acceptable	The impact and likelihood of the materializing is low, and management has adequately mitigated the risk with the current controls in place
Light Green	From 10 up to 20	Priority 4	Acceptable	The risk is at an acceptable level and should be monitored
Yellow	From 20 up to 40	Priority 3	Acceptable	The risk and the effectiveness of the implemented controls should be monitored to make provision for any changes in the risk environment that may affect the risk. The risk is at an acceptable level, however further mitigation actions may be implemented to further reduce the risk
Orange	From 40 up to 45	Priority 2	Unacceptable	This is a high priority risk and requires further action by management to mitigate the risk by increasing the control effectiveness
Red	From 45 upwards	Priority 1	Unacceptable	Management needs to address the risk until the risk is at an acceptable level and below the risk appetite

In line with best practices

Proposed actions per risk acceptability:
Unacceptable:
Unacceptable risks are classified as a priority 1 or 2 risks. This means that management needs to address the risk to mitigate it to an acceptable level as the current implemented controls are not effectively mitigating the risk. Some risks that are classified as a priority 3 risk, may also be at an unacceptable level if the risk can be mitigated further by improving the effectiveness of current controls. Actions can include the following: • Current controls need to be revised to ensure that the controls address the risk adequately; • Assessing whether current controls can be improved, or whether additional controls need to be implemented; • Action must be taken by management to reduce the risk and the implementation of the action plans should be monitored by management; and • The risks should be monitored regularly by management.
Acceptable:
Acceptable risks are classified as priority 4 or 5 risks. This means that management accepts the level, and no further action is required by management to reduce the risks further. Risks should however still be monitored to ensure that the controls addressing the risks are effective. Any changes in the risk environment should also be considered as this may have an affect on the risk and how management needs to respond thereto. Monitoring of risks are especially necessary for priority 3 risks that are at an acceptable level, but where an increase in incidents may result in the risk no longer being at an acceptable level and where mitigation actions need to be taken.

Activities based on Unit 4:

The identification of different types of risks in municipalities

ACTIVITY NO 4.1

Evidence Activity	Is Evidence Present in File
Activity 4.1	
Does management understand the full range of risk facing the municipality service delivery?	Yes
4 Describe the main objectives of your municipality and the risks which will prevent them from achieving the objectives? **Hint:** Your explanation should include the two levels at which municipality objectives can be viewed. You should explain the purpose of these objectives at each level. You should list the risks that may prevent the municipality from achieving its objectives. You should list at least 9 risks.	Yes

For management to fully understand the full range of risk facing the municipality service delivery, management first needs to understand the municipal objectives. Management needs to be aware what they want to achieve on a strategic and operational level. Once the objectives have been determined and it has been established what needs to be achieved, management can identify risks. Management and staff across all levels needs to be familiar with the municipal objectives and how it needs to be achieved within their respective functions.

The municipality currently has the following six strategic objectives which needs to be achieved and each of these include various operational objectives:

- **KPA 1**: To ensure good governance and compliance;
- **KPA2**: To ensure financial sustainability in order to meet the statutory requirements;

- **KPA3**: To ensure an efficient and effective organisation supported by a competent and skilled workforce;
- **KPA4**: To provide and maintain the required physical infrastructure and to ensure sustainability and affordable services;
- **KPA5**: To plan, promote investment and facilitate economic growth and development in the Municipal Area; and
- **KPA6**: To facilitate, support and promote social and community development.

The following risks may prevent the municipality to achieve its strategic objectives:

1. Financial and economic risks;
2. Political risks;
3. Reputational risks; Agreed - cybersecurity?
4. Compliance risks;
5. Personnel risks;
6. Business continuity risks;
7. Technological risks;
8. Environmental risks; ESG Risks?
9. Infrastructure and maintenance risks; and
10. Fraud risks.

Evidence Activity	Is Evidence Present in File
Activity 4.2	
Do the risk management practices improve operating performance and do they assist with the achievement of objectives? **Hint:** Your answer of yes/no should be accompanied by an explanation as to why you have answered yes or no. You should explain what the aim of risk management is.	Yes

Yes

Comprehensive answer

The aim of risk management is to ensure the achievement of objectives. This can be achieved either by managing risks that may prevent the achievement thereof or to identify opportunities that when taken will assist to achieve municipal objectives. Risk management and performance management can go hand in hand and can be regarded as the two sides of the same coin. Operating performance is monitored monthly to ensure that the municipality achieves all their municipal objectives at the end of the financial year and risks management assists with the identification and monitoring of risks that may prevent this.

When management is aware of the risks that may prevent the achievement of risks, management can implement controls to mitigate the risk either to limit the impact that it might have or reduce the likelihood that the risk might materialize. Depending on the level of the risk and the affect it might have on the achievement of objectives, risks should be monitored. This can be achieved through the identification and monitoring of key risk indicators which can act as early warning signs to inform management when there are changes in the risk environment and/or where there are control failures that needs to be addressed. If risks are not attended to, objectives cannot be achieved and ultimately this will result in poor service delivery.

Evidence Activity	Is Evidence Present in File
Activity 4.3	
Identify and discuss the role played by risk management in your municipality. **Hint:** The following are questions that should be addressed / answered with explanations. • Is there a policy dealing with risk management? • Who is accountable for risk management in the municipality? • Has a risk assessment been done?	Yes
1. Is there a policy dealing with risk management? Yes, the municipality has a Fraud and Risk Management Policy. The policy has been adopted by Council and is reviewed every three years. The risk assessment methodology is an annexure to the policy and this document is reviewed annually by the Strategic Management Team and the Fraud Risk Management Committee. In addition to the policy, the Strategic Management Team (SMT) identified strategic risks that are assessed quarterly and monitored on an ongoing basis and is aligned with the Integrated Development Plan. **2. Who is accountable for risk management in the municipality?** Ultimately the City Manager is accountable for the management of risks within the municipality. The role has been delegated to the Chief Risk Officer to ensure that risks are addressed across the municipality and to inform management of any high risks that needs urgent management intervention. Furthermore, each Executive Director is responsible to manage risks within their respective directorates. A Fraud and Risk Management Committee (FARMCO) has also been established and consists of external members. FARMCO is responsible to assist the City Manager to fulfil his fraud and risk management responsibilities in accordance with prescribed legislation and corporate governance principles.	

3. Has a risk assessment been done? Yes, risk assessments have been conducted. Currently risks assessments are conducted on a strategic, tactical (departmental) and operational level. Annual reviews of risks are being conducted; however, risk management processes have improved with risk management software. Risks are now re-assessed on a continuous basis as and when there is a change in the risk and/or control environment.	

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ACTIVITY NO 4.4

Evidence Activity	Is Evidence Present in File
Activity 4.4	
How do you identify relevant techniques and legislation to manage risk in your municipality? **Hint:** Techniques such as ongoing review by management and the performance management system should be discussed. You should explain where the legislation should be kept and how management should go about keeping up to date with current and expected changes in management. Evidence is sufficient, with all questions answered effectively.	Yes

Section 62(1(c)(i) and 95(c)(i)of the MFMA states 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.*"

The municipality is committed to implement risk management and to embed a culture of risk management. A comprehensive approach was adopted to manage risks by implementing various processes within the municipality not only to ensure compliance to the legislation, but to assist management to achieve objectives.

The legal division is ultimately responsible for legislation, and they need to inform management of any changes in legislation which needs to be addressed to ensure that the municipality complies and to ensure that we can achieve our municipal objectives. To assist with the compliance to the various legislative requirements, the municipality makes use of iComply, an online compliance system which is monitored at a strategic level.

Performance is also measured against strategic and operational objectives. Monthly and quarterly performance targets have been set which is monitored through the Ignite system and quarterly reports are submitted for review. Since Risk Management plays a vital role in the achievement in objectives, separate key performance indicators have been added to the performance agreements of Executive Directors where they need to implement 100% of risk mitigating action plans by the agreed due dates for each quarter.

Risks assessments have been conducted on a strategic, tactical (departmental) and operational level and these risks are monitored across different levels within the municipality. For each risk, a risk owner has been assigned who is responsible to ensure that the risk is adequately addressed. Key risk indicators (KRIs) have also been identified for top tactical risks per department and these are being reported to Executive Directors on a monthly basis by the risk owners. On a quarterly basis, a KRI report is submitted to the Fraud and Risk Management Committee. Risk Movement reports are also submitted to FARMCO quarterly indicating all the movements in risks that took place during the quarter. Movements can occur due to a change in the risk environment due to external and/or internal factors and/or where the effectiveness of implemented controls changed. Any new risks that have emerged are also reported.

Though the continuous monitoring of risks and the reporting of risks to SMT and FARMCO, risks are being manged by the municipality and ongoing reviews are taking place.

Evidence Activity	Is Evidence Present in File
Activity 4.5	
4.5.1 Explain why internal control process is very important to the management of risk in your municipality and 4.5.1.1 recommend ways of improving: 4.5.1.1.1 internal control in risk mitigation risk 4.5.1.1.2 management of risk in your municipality and 4.5.1.1.3 recommend ways of improving internal control in risk .	Yes Very detailed, sufficient evidence
Internal controls are very important to manage risks within the municipality. Without internal controls that are effective, efficient, economic, risks cannot be mitigated to an acceptable level. The implementation of controls can assist the municipality with risk management due to, *inter alia*, the following: • Preventing and mitigating risks; • Having early detection mechanisms in place to inform management of risks that might materialize; • Ensuring compliance to various legislative requirements, policies and procedures; • Ensuring effective use of municipal resources (assets, finances, personnel etc.) • Providing assurance to various stakeholders that risk management processes are in place etc.	
4.5.1.1 Effective internal controls are necessary to limit the impact of the risk and/or to prevent the risk from materializing. Internal controls can be regarded as the checks and balances that needs to be in place to ensure that risks are mitigated. These controls are implemented by management and needs to be tested by Internal Control to ensure that the controls are effective and adequate. Internal Audit will raise findings where controls are not effective, and these findings then needs to be addressed by management. Findings raised by Internal Audit are included in the Departmental Audit Action Plan (DAAP) report where progress is monitored quarterly and reported to the Strategic Management Team (SMT) and the Audit Committee.	
4.5.1.2 Management of risks is a continuous process that has been embedded into the day-to-day activities of the municipality. A culture of risk management has been adopted through a top-down approach	

where risk management responsibility has been assigned to the various risk owners across various processes within the municipality. Strategic risks are monitored by the Strategic Management Team at weekly SMT meetings, and tactical (departmental) risks are monitored by the relevant Executive Directors in their directorates and discussed at Executive Management Team (EMT) meetings. The operational risks are managed by the respective senior managers. Risks are further monitored through key risk indicators. The municipality has a dedicated Risk Management division in place and a Chief Risk Officers that forms part of SMT. Furthermore, the municipality has a fully independent Fraud and Risk Management Committee (FARMCO) that meets at least once a quarter and advises the City Manager on risk management.
4.5.1.3 Various controls can be implemented to mitigate the risks depending on the type of risk. These implemented controls can be preventative, detective or corrective in nature. The effectiveness of the controls also needs to be tested and monitored to ensure that implemented controls are effective and adequately address the risk. In many instances the municipality will have preventative controls in place, but additional detective controls may be required which will inform management if preventative controls are not effective and therefore there may be an increase is the associated risks.

Activities based on Unit 5:

The process to prepare an integrated risk model and risk monitoring.

ACTIVITY NO 5.1

Evidence Activity	**Is Evidence Present in File**
Activity 5.1	
Perform a comprehensive on-site risk maturity assessment of your municipality using the questionnaire in Annexure K. **Hint:** File your completed assessment behind this activity. Effective use of culture	Yes maturity index

Detailed Level Municipal Risk Questionnaire

		A	B	C	D	
		Level of Maturity				**Score**
Attribute:		**Novice**	**Competent**	**Proficient**	**Expert**	**1-Novice 2-Competent 3-Proficient 4-Expert**
CULTURE		**Risk averse Lacking awareness / understanding Lacking strategy Lacking commitment**	**Patchy, inconsistent Some understanding / awareness Cautious approach, reactive**	**Prepared to take appropriate risks Good understanding of benefits across most of the municipality. Strategy mapped into process implementation.**	**Proactive Intuitive understanding Belief, full commitment to be the best**	
1.1.	Senior Management Attitude to Risk Management Process	Unsupportive or hostile	Passive support	Promote and support concept	Actively champion with understanding	4
1.2.	Municipal Commitments to Policy, Process and People	No commitment	Different groups do different things. Response uncoordinated, no cohesion between groups	Generally consistent across entire municipality (some deviation)	Consistent across entire municipality with process in place for continual improvement.	4
1.3.	Belief in Value of Risk Management	Perception is that risk management is a Distraction	Perceived as having limited value by entire municipality	Belief that risk management can help and add value	Belief can improve municipal performance and include in municipal targets.	3
1.4.	Goal Congruence and Attitude Alignment	Negative alignment	Neutral alignment with persuasion towards goal congruence	Individual's objectives match municipal	Striving to make continuous improvements, active alignment to create synergy.	4
1.5.	Approach to Risk Sharing (external)	No sharing at all. Public pushes all risk to prime.	Reasonable risk allocation but poor reward structure	Open risk/ reward relationship (public/ prime/ subcontractors)	Help other parties manage their risks and share rewards.	3

All pages

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Annexure K: Example of Municipality Risk Maturity Assessment

		A	B	C	D	
		Level of Maturity				**Score**
	Attribute:	**Novice**	**Competent**	**Proficient**	**Expert**	**1-Novice 2-Competent 3-Proficient 4-Expert**
	CULTURE	**Risk averse Lacking awareness / understanding Lacking strategy Lacking commitment**	**Patchy, inconsistent Some understanding / awareness Cautious approach, reactive**	**Prepared to take appropriate risks Good understanding of benefits across most of the municipality. Strategy mapped into process implementation.**	**Proactive Intuitive understanding Belief, full commitment to be the best**	
1.6.	Approach to Risk Sharing (internal)	No sharing at all	Discussions documented occasionally	Open communications between departments	Proactively helps other parties manage their risk and share rewards.	4
1.7.	Risk Appetite	Either risk averse or takes risk without knowledge/ understanding of risks Involved	Some understanding and awareness of need to take risks	Understands wants manages and takes risks appropriate to the municipality	Understands the need for and actively manages a portfolio of risks	4
1.8.	Risk Response Strategies (ways of treating risk) Avoid, Reduce, Retain, Transfer	Accepts risks without strategy or turndown, no knowledge of available options or decision taken on inappropriate Information	Tendency to choose standard response without due consideration of all possible options	Considers every risk and chooses an appropriate response applying considered strategies	Highly developed set and range of strategies applied appropriately. Considers risks on their merits and chooses/ makes most appropriate response	3

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Annexure K: Example of Municipality Risk Maturity Assessment

		A	B	C	D	
		Level of Maturity				**Score**
	Attribute:	**Novice**	**Competent**	**Proficient**	**Expert**	**1-Novice 2-Competent 3-Proficient 4-Expert**
	CULTURE	**Risk averse Lacking awareness / understanding Lacking strategy Lacking commitment**	**Patchy, inconsistent Some understanding / awareness Cautious approach, reactive**	**Prepared to take appropriate risks Good understanding of benefits across most of the municipality. Strategy mapped into process implementation.**	**Proactive Intuitive understanding Belief, full commitment to be the best**	
1.9.	Risk Awareness	No shared criteria	Commonality in discrete groups. Risk defining terms are used consistently across the municipality. Most employees are aware of risk pertaining to their roles	Risk database & register exists defining terms which are used consistently across the municipality. All employees aware of risk pertaining to their role.	All employees are aware of impact of risks in context of the municipality	3
1.10.	Communication of Risk Strategy	Little or ad hoc communication	Strategy communicated between departments occasionally, however information is not clear or concise	Strategy and process in place and communicated between individuals – projects – departments and the municipality	Strategy and process in place and used between individuals – projects – departments -municipality Feedback flowing up and down the municipality	3
	CULTURE				**Total = x (Maximum = 40)** **Average Score = x** **(Total divided by number of attributes)**	35 3.50

Annexure K: Example of Municipality Risk Maturity Assessment

Attribute:		Novice	Competent	Proficient	Expert	1-Novice 2-Competent 3-Proficient 4-Expert
PROCESS		**Where present tend to be inefficient informal, ad-hoc**	**Inconsistent No learning from experience Standard approach / generic**	**Consistent approach but scalable Tailored to specific needs**	**Adaptive Proactively Developed Fit for purpose Best of Breed**	
2.1.	Risk Response Strategy	No strategy	Strategy is inconsistently applied	Strategy is consistently applied	Strategy proactively modified to reflect changes in municipal environment	3
2.2.	Formality	No formality	Ad hoc and inconsistent	Well structured documented and consistently implemented	Right level of formality for the type of risk. Users can proactively modify and formalise the existing processes to suit the situation	4
2.3.	Effectiveness	Not effective	Works in specific areas (partially effective)	Works consistently at / for all levels in the municipality	Adapts pro actively to internal and external changes	4
2.4.	Durability	Breaks / fails often	Process is tried and tested and based on past / historical municipal service delivery	Process is relevant to current municipal service delivery needs	Relevant, evolves to meet changing needs of municipal service delivery maturity	4
2.5.	Scope	Little or nothing available	Available in a few areas	Common across the municipality	Fit for purpose by transaction and modified to meet service delivery needs	4

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Annexure K: Example of Municipality Risk Maturity Assessment

2.6.	Knowledge Management	Poor, either information is frequently lost and tools available are inadequate or non existent	Tools available used on ad hoc basis, consequently information is captured and applied inconsistently	System is maintained, populated and used, information is captured and used to modify working practices	System is comprehensive and available, includes external data, knowledge is captured, discussed and communicated as part of the municipality's culture	4
2.7.	Integration with Other Municipal Processes	None	Insular (Departmentally orientated)	Part of the municipal process (cross departmental)	Across total supply chain (supplier/ prime/ public)	3
2.8.	Scalability	Nothing to scale	Fixed scale	Scalable in few stepped increments by department. Small number of fixed options (small/ medium/ large)	Fully scalable and managed with flexible approach to meet all municipal service delivery requirements	4
	PROCESS				**Total = x (Maximum = 32)** **Average Score = x** **(Total divided by number of attributes)**	30 3.75

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Unit Standard ID 116339

Annexure K: Example of Municipality Risk Maturity Assessment

Attribute:		Novice	Competent	Proficient	Expert	1-Novice 2-Competent 3-Proficient 4-Expert
EXPERIENCE		**None; nothing relevant**	**Basic competence**	**Proficient** **Formal qualifications**	**Extensive experience** **Leading qualifications** **Externally recognised high competence**	
3.1	Access to Qualified Staff in a municipality	No access to people with relevant risk management qualifications	Access to people with current qualification which includes a risk management module	Access to people with current risk management qualifications	Fellow of Institute of Risk Management or MSc in Risk Management	4
3.2.	Range and Depth of Experience of People in Risk Management	None relevant to risk management	Worked in risk management capacity on a range of projects but less than 5 years experience	Worked on several similar projects for more than 5 years	Worked on/ led risk management aspect on extensive range of projects	4
3.3.	Attitude Alignment of Risk Management Team to municipality	Negative alignment	Neutral alignment	Positive alignment	Active alignment	4
3.4.	Skills and Capabilities of People Responsible for Risk Management	None relevant to risk management	Basic skills able to participate in risk management issues	Can lead and is able to take initiative	Trains/ mentors and able to tackle unexpected issues	4
3.5.	Corporate Resource Allocation	Resource is allocated as available no planning/ forecasting involved	Limited resources poorly publicised. Roles covered but not all by appropriate resources	Comprehensive, relevant and available	Active dissemination of best practices Able to apply best resources at any time	3

Annexure K: Example of Municipality Risk Maturity Assessment

Attribute:		Novice	Competent	Proficient	Expert	1-Novice 2-Competent 3-Proficient 4-Expert
EXPERIENCE		**None; nothing relevant**	**Basic competence**	**Proficient** **Formal qualifications**	**Extensive experience** **Leading qualifications** **Externally recognised high competence**	
3.6.	Training/ Personal Development	None	Minimum training	Formal organised and updated program	Incentivised training plan and training actively encouraged	4
	EXPERIENCE				**Total = x (Maximum = 24)** **Average Score = x** **(Total divided by number of attributes)**	23 3.83

Annexure K: Example of Municipality Risk Maturity Assessment

Attribute:		Novice	Competent	Proficient	Expert	1-Novice 2-Competent 3-Proficient 4-Expert
APPLICATION		**Not Used**	**Inconsistent – major projects only Process driven Inadequately resourced**	**Consistently applied Adequately resourced**	**Proactively resourced Across the entire municipality Flexible, measured for improvement**	
4.1.	Adequacy of Risk Management Resources in relation to an activity or event	None	Limited	Adequate	Sufficient and proactive	3
4.2.	Use of Policies/ Standards	Not used	Not consistently used or fully adhered to	Used and adhered to	Used appropriately and adhered to	4
4.3.	Use of Appropriate Processes/ Systems for Project	None or inappropriate	Not consistently used or fully adhered to, Roles are defined and allocated	Used and adhered to. Municipality is adequately structured and regularly reviewed and understood	Used appropriately and adhered to. Municipality is flexible, current and clearly understood	3
4.4.	Effective implementation of Response to Risk	No responses actioned	Selected responses not effectively employed	Selected responses are effectively employed for all identified risks	Selected responses are effectively employed for risks including emergent risks. Responses can cope with anything. Ability to handle emergent risks	4
4.5.	Quality of Reporting to Stakeholders	None	Routine non filtered risk reporting	Stakeholders aware of relevant risks	Interactive risk reporting	4
4.6.	Feed forward to future projects	None	Routine non filtered analysis	Managed and lessons learnt communicated	Strategic review and lessons learnt implemented	4

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Annexure K: Example of Municipality Risk Maturity Assessment

Attribute:		Novice	Competent	Proficient	Expert	1-Novice 2-Competent 3-Proficient 4-Expert
APPLICATION		**Not Used**	**Inconsistent – major projects only Process driven Inadequately resourced**	**Consistently applied Adequately resourced**	**Proactively resourced Across the entire municipality Flexible, measured for improvement**	
4.7.	Use of Metrics / Performance Management	None or detrimental	Generic measures	Project specific to determine success	Incentivised to encourage continued improvement	3
	APPLICATION				**Total = x (Maximum = 24)** Maximum is 28 **Average Score = x (Total divided by number of attributes)**	25 3.57

Annexure K: Example of Municipality Risk Maturity Assessment

Summary Scores

	Total Score Available	Actual Score	Average Score
CULTURE	40	35	3.50
PROCESS	32	30	3.75
EXPERIENCE	24	23	3.83
APPLICATION	28	25	3.75
		OVERALL SCORE FOR THE MUNICIPALITY:	3.71

I was slightly surprised with the rating - thought it might be higher in this speciic institution

ACTIVITY NO 5.2

Evidence Activity	Is Evidence Present in File
Activity 5.2	
Do the risk management practices improve operating performance, and do they assist with the achievement of objectives? **Hint:** You should explain your reasons for answering yes/no.	Yes
Yes, risk management practices do improve operating performance and assist the municipality to achieve its objectives. At our municipality we have aligned processes to the objectives listed in the IDP document and where performance is measured through the SDBIPs. Risk management processes have been embedded and culture of risk management has been created. Risks are currently being monitored on an operational, tactical and strategic level and we have started to implement key risk indicators for tactical levels. This assist management with early warning signs where management intervention may be required to mitigate the risk further, hence it assists with the achievement of objectives. The integration of risk management also assists management to identify opportunities that assist with the achievement of objectives especially relating to service delivery.	

ACTIVITY NO 5.3

Evidence Activity	Is Evidence Present in File
Activity 5.3	
Critically evaluate the process of risk management in your municipality. **Hint:** You should address the following factors in your answer: • Is there a risk management process in place at the municipality? • Is there a designated person responsible for the risk management within the municipality? • When was the last risk assessment performed by the municipality? • For the 5 highest risks in the municipalities are their measures put in place to reduce the risks to an acceptable level. Effective ERM process implemented	Yes
Risk Management has been integrated within the municipality and this was largely achieved through the buy-in by the City Manager and the Strategic Management Team (SMT) that created a risk management culture. The municipality has a fraud and risk management policy which was adopted by Council and every three years the policy is reviewed. We also have a risk assessment methodology that is reviewed annually that assists management to assess the risks based on guidelines included in the methodology. A risk management implementation plan is also place that is monitored by the Fraud and Risk Management Committee (FARMCO) to ensure that risk management activities by the Risk Management division are performed. The Chief Risk Officer is the designated person responsible for Risk Management within the municipality and he reports directly to the City Manager. He is also a member of SMT and attends all SMT, MPAC, Mayco, Council, Audit Committee and Budget Steercom meetings. The municipality performs an annual risk assessment and quarterly these risks are re-assessed for	

reporting purposes. With the implementation and use of the Risk Management software tool (BarnOwl) continuous assessment are starting to take place where high risks are being monitored monthly through key risk indicators and if needed, the ratings are updated accordingly. Throughout the year any new emerging risks are also assessed as and when required. The municipality is moving towards ongoing assessments of risk to incorporate any changes in the risks and control environment rather that only conducting an annual risk assessment.

Yes, there are measures that have been put in place to manage the top 5 risks. Action plans were identified, accountability was assigned to officials to ensure that the actions are implemented by the agreed due dates. The progress of action plans is monitored by the Risk Management division and reported to SMT and FARMCO. This process assists management to ensure that high risks are addressed to mitigate risks to an acceptable level. Furthermore, every quarter risks that are above the municipality's risk appetite are reported to FARMCO where discussions take place to ensure that these risks are adequately addressed, and progress reports need to be submitted indicating how these risks are being addressed.

Evidence Activity	Is Evidence Present in File
Activity 5.4	
Identify and discuss the role played by risk management in your municipality.	Yes

Risk Management plays an important role within the municipality. The municipality has identified various stakeholders for risk management and roles and responsibilities have been assigned. The various stakeholders have been categorized into the following four categories:

Risk Management Oversight: Aligned with the three lines of defense

These stakeholders are primarily responsible to provide oversight on risk management processes within the municipality to ensure that risks are adequately addressed to achieve our municipal objectives. Oversight is provided by Council, the Fraud and Risk Management Committee (FARMCO) that is an advisory committee for the City Manager on Risk Management, and the Audit Committee who is responsible to provide oversight on the municipality's control, governance and risk management processes.

Risk Management Implementers:

These are the stakeholders that are responsible to implement risk management processes within the municipality. This includes the City Manager, the Strategic Management Team (SMT) and the employees of the municipality as risk management processes needs to be integrated into the daily activities.

Risk Management Support:

These are the stakeholders that are responsible to provide support to the implementers to ensure that risk management processes are implemented and to assist management where needed. This includes the Chief Risk Officer who is the custodian of the risk management strategy and co-ordinates risk management activities. Risk champions have also been appointed which is an additional task assigned to employees to assist risk owners to fulfill their risk management duties within their respective directorates.

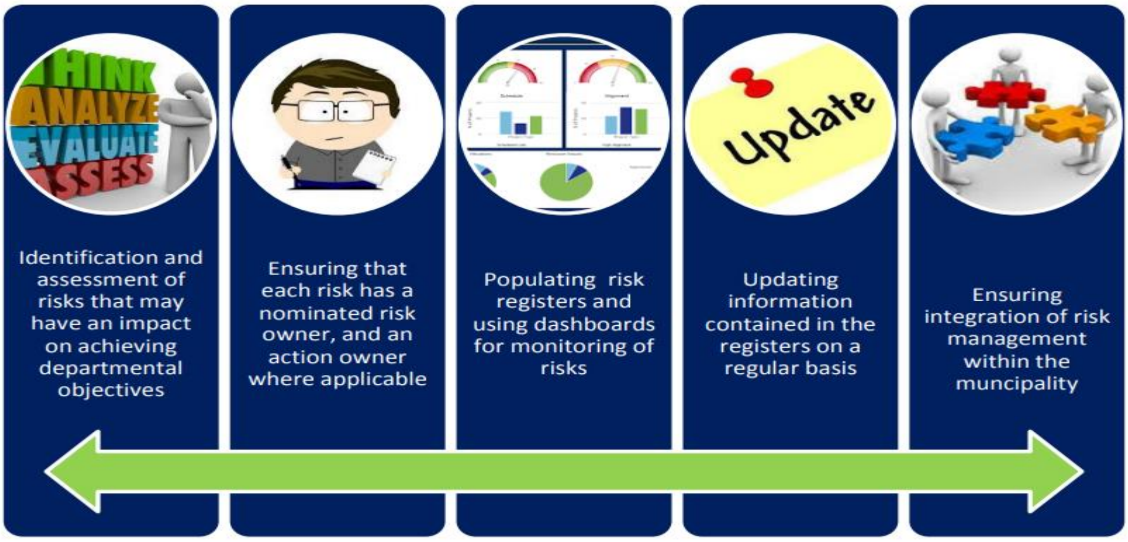
Risk Management Assurance Providers:

These are stakeholders that provides independent oversight on the effectiveness of risk management processes within the municipality. This can be done internally through Internal Audit or externally through the Auditor General.

Evidence Activity	Is Evidence Present in File
Activity 5.5	
5.5.1.1 Develop a comprehensive risk management system for your municipality. 5.5.1.2 Recommend modern techniques for minimizing risk taking into consideration the capacity and resources of your municipality.	Yes

5.5.1.1

The following diagrams illustrates the risk management system within our municipality together with the eight components necessary to have an effective risk management system:

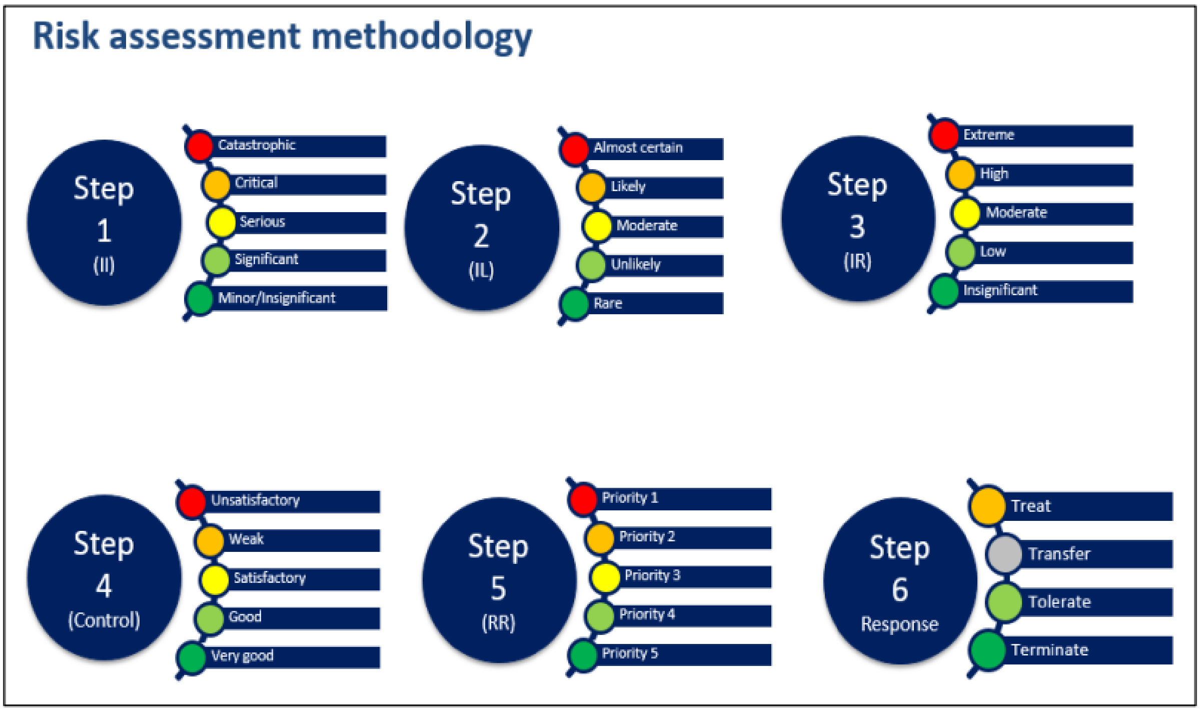


Internal Environment and objective setting: This refer to the municipal environment and what the municipality needs to achieve. This is aligned to the Integrated Development Plan of the municipality which is revised annually.

Event identification: Internal and external factors can lead to the occurrence of future events (risks and opportunities). These factors need to be considered by management to identify future events that have a positive (opportunities) or negative (negative) impact on the achievement of the municipality's objectives.

Risk assessment and risk response: Management are required to assess the risk for likelihood and impact, as well as the effectiveness of current implemented controls. Based on the outcome of the assessment and whether it is considered a high, medium or low risk, management needs to respond to the risk and the actions, if any needs to be take. The following diagram is a summary of the risk assessment methodology options available to management when assessing and selecting a response to the risks.

I like the methodology layout - fresh approach



Control activities: These are the measures that management have put in place to mitigate risks. Control activities can either be preventative, detective or corrective in nature. All three types of control activities are implemented across the municipality and are either executed manually or automatically and the frequency thereof depends on the type of control.

Information and communication

Risk information (outcome of risk assessment, changes in the risk and control environment etc.) needs to be reported to management on a regular basis. This assists management to make informed decisions, respond to risk and/or opportunities.

Monitoring:

Regular monitoring of risks needs to take place. This not only includes the monitoring of the risk and control environment, but also the progress om mitigating actions that needs to be implemented to address high risks together with the effectiveness of controls. Monitoring of risks are also conducted through key risk indicators, which are reported to management.

5.5.1.2

Modern techniques that can be taken into consideration includes the use of technology, liaising with other municipalities and the development of risk dashboards where management will have a visual representation of high risks that needs to be attended to.

Evidence Activity	Is Evidence Present in File
Activity 5.6	
How will risk management lead to improved prioritisation of service delivery objectives in your municipality. **Hint:** Explain the advantages or risk management and how these will assist in improving the service delivery objectives in your municipality.	Yes Sufficient coverage of the advantages

The municipality can be exposed to a wide variety of risks which are material and requires comprehensive controls and continuous monitoring and oversight. This can either be on a strategic, tactical or operational level. An integrated risk management approach was adopted which enables the municipality to be equipped to identify events that may have an impact on achieving the municipality's objectives and to manage risks according to the municipality's risk appetite.

The advantages of risk management include, *inter alia,* the following:

- **Focussed planning and execution**: It can assist management to plan effectively of what needs to be done to ensure that the municipality achieves its objectives and ensures continuous rendering of services to the community.
- **Minimising financial losses that can be incurred:** If management is aware of risks that may have a financial impact on the municipality, management can implement measures to mitigate it.
- **Informed decision making**: If management is aware of risks and opportunities together with the outcomes of risk assessments, better and informed decisions can be taken.
- **Improved resource allocation**: If management are aware of high risks that needs to be addressed to ensure that service delivery objectives are achieved, management can allocate resources (personnel, funds, infrastructure etc.) to mitigate high risks.
- **Increased resilience**: If management takes into consideration the risk environment, especially external factors that may impact the achievement of objectives, plans can be put in place to limit the impact if the risk materialises. This will assist the municipality to be better prepared when disaster strikes, assist with business continuity and decrease the time that the municipality requires to recover from a disaster.

- **Provides assurance**: Having effective risk management processes in place provides assurance to Council, the community and any other stakeholders, which builds trust in management processes and the ability to render services.

ACTIVITY NO 5.7

Evidence Activity	Is Evidence Present in File
Activity 5.7	
5.7.1 Explain why internal control process is very important to the management of risk in your municipality and 5.7.2 Recommend ways of improving internal control in risk mitigation risk.	Yes

5.7.1

Internal control processes are very important for the management of risks as controls are implemented to reduce the risk exposure by limiting the impact and/or reducing the likelihood that a risk may materialize. Internal control processes included various policies, procedures and rules to assist the municipality to manage risks effectively. Implemented controls should be effective, efficient and economical. The effectiveness of internal controls is also audited and provides assurance that:

- Financial information and reports are reliable; Control objectives covered effectively
- Operations especially relating to service delivery is effective; and
- The municipality complies to the relevant legislation, policies and procedures.

5.7.2

The municipality have implemented various ways to improve internal controls to mitigate risks. When Internal Audit raise findings, this is added to a Departmental Audit Action Plan (DAAP) which is tabled at SMT on a monthly basis and quarterly to the Audit Committee. This monitors the implementation of agreed action plans to address the findings raised by Internal Audit to ensure that management implements actions by the agreed due dates. Implementation of audit and risk mitigating action plans have also been incorporated into the Executive Directors performance agreements where they are required to implement 100% of agreed action plans by the due dates. This assigns accountability to Executive Management and contributes to effective risk management in the municipality.

Internal Audit and Risk Management is also working together. The risk management division conducts risk assessments and the consolidated risk registers are submitted to Internal Audit to compile a risk-based audit plan. Based on the outcome of their audits, Internal Audit may find that controls are not effective, and the effectiveness of controls are then updated to reflect the audit findings. Further risk management discussions then need to take place and depending on the risk priority, management may be required to respond differently to a risk. Regular monitoring and reporting take place and this improves risk mitigation within the municipality.

Summative assessments

Risk Assessment

Assignment 1:

Evidence Activity	Is Evidence Present in File
Assignment 1:	
You have decided that the first task will be to ensure that the culture of the municipality is favourable for risk assessment. Describe how you would evaluate the organizational culture and improve the control environment.	Yes
Hint: Your evaluation of the organisational culture should include a detailed explanation of the 2 factors below. You should give an explanation of each factor and then give an explanation as to how you would assess these 2 factors. • Assessing Organizational readiness and roles • Assessing whether a Risk Champion was assigned The second part of your assignment should include Factors that should be considered or re-inforced in order to improve the control environment.	Yes Detailed rating sufficient
To evlaute the organisational culture and to improve the control environment, it is important for management to understand what is meant by a culture that is favourable for risk management. To have a culture that is favourable for risk management, an environment needs to be created where management understands and value the importance of risk management where risks can be identified, assessed and addressed and where it can be integrated into the daily operations of the municipality acorss the various functions. There are various factors that contribute to a culture that is favourable for risk management and amongst onthers include the following: • **Commitment by leadership**: The Strategic Management Team sets the tone at the top and	

they need to promote risk management discussions and participate in the identifcation and assessment of risks and incoproate this into their decsion making processes.

- **Effective communication**: Risk management and the importance thereof must be communicated throughout the municipality to all employees in a manner that they will understand. When employees understand the importance of risk management and how it can assist them to achiever their objectives, a risk managememt culture is created and embedded into the daily operations of the municipality.
- **Education and training**: Employees needs to understand risks management, the processes and the benefits and therefore it is important to provide regular training to employees to educate them. This does not necessarily have to be through formal training sessions, but informative sessions where employees can participate and broaden their knowlegde which can be appied in their daily tasks.
- **Inclusive approach**: Risk management is not something that should be done on a management level. Staff from all levels needs to be included to participate in risk management discussions, the identification and assessment of risks.
- **Risk ownership:** Risk ownership needs to be assigned. Once accountability has been assigned to a specific employee or team it makes it easier to ensure that the risk is being managed and that roles and responsibilities are assigned to ensure that risks are monitored and controls are in place to mitigate risks.
- **Integration with decision making processes**: Risks and their potential impact that it might have on the achievement of stategic and operational objectives needs to be considered. If this is taken into account, better decisions can be made.
- **Transparency:** When officials can freely report risks to management it encourages open communciation across the different reporting levels and enables mangement to pro-actively address risks.
- **Use of data analysis:** Using the outcomes of data analyisis assists management to identify trends and assess risks based on quatative information which will assist with better decision making.

Liked the comments relating to leadership and governance

To assess the muncipality's organisatinial readiness for risk management, the following can be assessed:

Modern Comptrollership Capacity Check

This is an evaluation or assessment of the municpality's ability to effectively manage functions across the muncipality that are interrelated. The outcomes of assessments are combined and that these results can be used to to determine priorities that needs to be addressed by management on a strategic, departmental and opperational level and to identify action plans to address them that can be monitored. Assessment results that can be combined includes performance evaluations, financial management outcomes, internal audit findings, risk assessment results, compliance reports ets.

Workforce and Organizational Culture

The workforce is shaped by the organisational culture, but also shapes the culture.The muncipality's success is dependent on the employees satisfaction, innovation and overall performance which can result in the successful management of the muncipality and effective service delivery. It is therefore important that when a culture of risk management is created, that management considers how employees will react to change, especially if changes in policies and procedures are required as the successful implementation and integration is dependent on officials.

Existing Knowledge and Systems

To assess whether there are existing risk management knowledge and systems in place, current processes, policies and committees needs to be considered. Consideration should be given whether risk management has been incorporated into existing policies, whether it forms part of decisions being taken by the City Manager and his Strategic Management Team. Consider whether failure to address risks will prevent plans from being approved and if there are systems in place to monitor performance and risks.

Risk Champions appointment assessment

It is important to assess whether a risk champions were appointed. In our municipal enviroment, risk champions are appointed by the City Manager to assist and co-ordinate risk management fucntions within their respective directorates. Appointed risk champions are officials that should have a good understanding of risk management cocepts, principles and processes, have good analitical skills, leadership and motivational qualities and they shoud be able to communicate effectively. Before appointing risks cahmpions the qualities of offcials needs to be assessed to ensure that the officials have the qualities required for their role as risk champion and that they will be able to perform the following functions:

- Facilitating operational risk assessments related to their directorate's daily tasks;
- Ensuring that each key risks have nominated risk owners;

- Populating the risk registers/dashboard that can be monitored by management;
- Ensure that all risk information is updated as and when changes occur in the risk and control environment; and
- Co-ordinating the implementation of action plans to address risks.

Factors to be considered or re-inforced to improve the control environment

A control environment needs to be re-inforced or improved as a strong control enviroment within the municipality will promote ethical behaviour, assign accountability, and ensure effective risk management. Factors to be considered or re-inforced includes amongst others the following:

- Ensuring that officials are aware of the muncipality's Code of Conduct and what is expected from them;
- Good communication and leadership from the top down on expectations regarding controls, the management of risks and ethical conduct by officials;
- Having policies and procedures in place that are reviewed regularly and where adherence to these policies and procedures are monitored and tested;
- Having robust controls in place to prevent and detect fraud, corruption and theft;
- Having mechanisms in place to protetct whistle blowers so that they can freely report suspicions or concerns without a fear of victimisation;
- Regular audits by competent offiicials to assess the effectiveness of controls and to identify any control deficiencies
- Relying on technology and automation to identify exceptions and to enhance processeses
- Ensuring compliance to legislative requirements through compliance monitoring and reports; and
- Holding officials accountable for the effective implementation and monitoring of controls to ensure that the controls adequately mitigates risk to a level that is accepted by management.

Assignment 2:

Evidence Activity	Is Evidence Present in File
Assignment 2:	
Part a: List the major challenges of City X and assess how the city should address these challenges. Prepare an Integrated Risk Profile for the top twenty risks; **Part b:** Recommend which risk could be addressed by the Chief Audit what role the Chief Audit Executive should play in assisting management in developing action plans to mitigate those risks Executive and	Yes Very detailed, sufficient evidence

Part A – Major Challenges of City X

Major Challenges		Action Plans	
1	*External factors* Changes in the political environment, especially with upcoming elections which can lead to service delivery protests, change in political leadership and coalition governments that may result in policy and procedure changes.	1	Development of policies and procedures to ensure that the administrative functions and service delivery can continue regardless of the political leadership.
2	*Compliance* The municipality does not comply with legislative requirements and regulations that are applicable to municipalities which can lead to fines, audit findings etc.	2	Implementing policies and procedures to ensure compliance to legislative requirements. Monitoring of compliance requirements through iComply system Creating internal due dates which are monitored at an executive level to ensure compliance to legislative submissions such as the annual financial statements.
3	The municipality fails to prevent cyber breaches which can affect Information and Communication Technology (ICT) continuity within the municipality	3	Implementation of the IT Management Framework that relates to Access Management. Procurement of software to prevent and detect cyber breaches. Creating user awareness to prevent cyber breaches.
4	Limited landfill airspace can result in no disposal facility for the Municipality. Additional cost will have to be incurred if waste needs to be transported elsewhere.	4	Increase awareness in waste diversion to promote recycling and therefore reducing waste being disposed at the landfill site. Investigate options and costs associated to increase the landfill airspace.

Major Challenges		Action Plans	
5	Failure to maintain an accurate stock register on Solar due to theft of stock, maladministration and the incorrect recording of goods received and issued which can affect service delivery negatively if there is no stock on hand to perform service delivery tasks.	5	Conducting annual stock takes Daily manual spot checks and reconciliations of stock Installation of cameras and securing store areas through control access Using the Solar financial system to capture and record all stock being received and issued.
6	Unsafe working conditions for Law Enforcement, Fire and Traffic Officers due to civil unrest and despondent communities due to lack of services and criminal elements in communities which can result in employees being injured in the line of duty.	6	Identify hot spot areas. Law Enforcement to accompany user departments when rendering services within hot spot areas. Working closely with SAPS and POPS when there are civil unrests.
7	Theft and vandalism of electrical infrastructure where copper, conductors and other equipment necessary to supply electricity to the electricity network is stolen and/or vandalised especially due to the increased load shedding This results in increased maintenance and repair costs as well as extended electricity outages.	7	Replacement of copper conductors with aluminium conductors where possible as budget permits. Establishment of a joint metal and cable theft task team where the municipality, SAPS, Eskom and other stakeholders can work together to prevent and/or detect cable theft. Implementing security measures at sub-stations that are regarded as hot spots for vandalism and theft.
8	Inability to service water, wastewater, and stormwater networks at certain locations in the municipal area due to illegal invasions and communities restricting access. This leads to further health and safety risks as well as service delivery interruptions	8	Relocation of structures that prevents access to water, wastewater and stormwater networks. Monitoring hot spot areas to prevent re-invasion.

Major Challenges		Action Plans	
9	Failure to prevent, detect and investigate allegations of fraud and corruption within the municipality which results in financial losses and poor service delivery.	9	Implementation of an anonymous reporting hotline. Developing and executing fraud awareness initiatives Having a dedicated function that is responsible for fraud investigation, prevention and detection.
10	Damages to water and wastewater infrastructure and increased pipe leaks/bursts leading to loss of infrastructure, water and an increase in maintenance, repair and labour costs	10	Maintenance plan to be developed and executed. Creating awareness in communities to prevent damages to water and wastewater infrastructure.
11	High frequency of repairs to refuse compactor due to mechanical/hydraulic failure which results in refuse collection delays. These delays lead to reputational damages and increased costs (overtime and truck maintenance and repair costs)	11	Regular maintenance at accredited service providers for refuse compactors. Providing training to operators to ensure that they operate the compactors correctly. Daily inspections of refuse compactors to be conducted.
12	Inadequate verifications and record keeping of inhabitants of informal settlements which may result in inadequate spatial planning.	12	Conducting inspections at the informal settlements on a continuous basis.
13	Significant breakdown in the availability of core ICT applications and supporting infrastructure due to failure/lack of environmental safeguards such as the generator, air conditioner, fire detection and suppression, water detection and maintenance of computer equipment.	13	Appointment of service provider to maintain the generator equipment, UPS equipment and aircons. Fire detection and prevention mechanisms to be put in place in the server room. Testing of detection mechanisms to ensure that it functions effectively

Major Challenges		Action Plans	
14	The occurrence of possible collusion and price fixing amongst officials and service provider to award orders to specific service providers by favouring certain suppliers.	14	Procurement Policy with a standard operating procedure (SOP) needs to be in place stipulating the process when goods/services need to be procured. Segregation of duties need to be in place throughout the procurement process. Bids to be evaluated by officials at the Bid Evaluation Committee (BEC) and Bid Adjudication Committee (BAC).
15	Failure to pay creditors within 30 days of the date of receipt of the invoice/statement, which is a reputational risk, but can also lead to audit findings.	15	Tax invoices to be date stamped when it is received by the user department and when it is received at Creditors. Financial circular stipulating the number of days it should take to submit invoice from department to creditors for payment which should be monitored and reported on monthly to the Executive Directors.
16	Unhappy staff due Task outcomes which may have a negative effect on service delivery and the efficiency of tasks being performed	16	Posts to be classed according to their functions and this needs to be used as a measuring tool. Posts to be benchmarked with similar municipalities.
17	Increased structural damages at municipal rental properties such as dilapidated staircases which can result in serious injuries and/or fatalities as well as public liability claims.	17	Assessments needs to be conducted by a structural engineer and repairs and/or maintenance needs to be prioritised. Management needs to develop a maintenance repair plan to repair structural damages and management need to budget accordingly to ensure that maintenance and repair work are executed.

Major Challenges		Action Plans	
18	Failure to keep the indigent register updated on a continuous basis which can result in an overstated indigent register which has a significant impact on the municipalities financial position.	18	The municipality needs to ensure that a policy is in place to provide support to indigents which also stipulates persons regarded as indigents. Electronic vetting system needs to be in place to determine household income as per the Indigent Support Policy. Regular reconciliations to be performed between the information on the Bires system and the financial system.
19	The municipality not adhering to legislative requirements which includes the submission of performance management reports within the allocated time frame. This might result in under-performance in the municipality as well as Audit Findings	19	The municipality needs to ensure that a policy and SOP is in place. This should be monitored, and quarterly feedback should be provided to management.
20	Failure to collect all revenue from the various income streams (rates and taxes) resulting in cash flow problems	20	The municipality needs to ensure that there is a Credit and Debt Collection Policy in place and that it is enforced. Monthly monitoring needs to take place and the results need to be incorporated into the Section 52 and 71 reports.

Comprenhesive risk register

Part B – Risks to be addressed by the CAE (Chief Audit Executive)

	Major Challenges		Role of the CAE
1	*External factors* Changes in the political environment, especially with upcoming elections which can lead to service delivery protests, change in political leadership and coalition governments that may result in policy and procedure changes.	1	The Chief Audit Executive is responsible to assist by providing management with advice, recommendations, analysis outcome and oversight of risk management processes across the municipality when risks are identified, addressed and monitored. The CAE is responsible for the Internal Audit function of the municipality who is responsible to assess the effectiveness of controls to mitigate risks. The CAE can assist management to identify action plans to address risks through the following: • Preparing a risk-based audit plan to determine which processes needs to be audited during the financial year to determine the effectiveness of controls; • Providing recommendations to management based on the audit findings which can include control enhancements, revision of policies and procedures that can assist to reduce the likelihood and/or impact of a risk; • Recommendations accepted by management is added to the Departmental Audit Action Plan (DAAP) where implementation is monitored and reported to the Strategic Management Team (SMT), and quarterly to the Audit
2	*Compliance* The municipality does not comply with legislative requirements and regulations that are applicable to municipalities which can lead to fines, audit findings etc.	2	
3	Failure to maintain an accurate stock register on Solar due to theft of stock, maladministration and the incorrect recording of goods received and issued which can affect service delivery negatively	3	

Major Challenges		Role of the CAE	
	if there is no stock on hand to perform service delivery tasks.		Committee. This assists with accountability and ensures that management addresses findings raised to ensure that effective controls are in place to mitigate risks. • Ensures that controls are in place to mitigate risks which can include the following: ➢ Preventative controls: Controls that assists in preventing a risk from materialising; ➢ Detective: Controls to detect if an incident has occurred; and ➢ Corrective controls: Controls to address the impact of the risk when an incident occurred.
4	Failure to collect all revenue from the various income streams (rates and taxes) resulting in cash flow problems	4	
5	Failure to keep the indigent register updated on a continuous basis which can result in an overstated indigent register which has a significant impact on the municipalities financial position.	5	
6	The occurrence of possible collusion and price fixing amongst officials and service provider to award orders to specific service providers by favouring certain suppliers	6	

It is noteworthy that most of the risks also talk to credit control.

Would have9 expected some risks relating to capital expenditure

Type text here

Assignment 3:

Evidence Activity	Is Evidence Present in File
Assignment 3:	
Identify the financial risks and list the mitigation plans to improve the financial performance, and cash flow position of the City. Ensure that you comply with National Government Policies	Yes

Financial Risks and mitigating plans

Financial Risks		Mitigating Plans	
1	Going concern problems: a) High gearing ratio as the municipality's long-term borrowings as a percentage of its revenue is above the norm which is between 45%-50% for municipalities. b) Revenue losses due to consumers moving off the grid due to increased load shedding. c) Low cash balance at the end of the month if revenue is not collected and deposited into the bank. d) Debtors' collection rate (in days) not favourable if it takes more than 45 days for the municipality to collect outstanding debt. e) Persons not qualifying as indigents listed on the indigent register.	1	• Implementation of cost containment initiatives, placing a moratorium on external borrowings, and the restructuring of external loans to reduce the gearing ratio to an acceptable level. • Introduction of higher basic fees for alternative electricity systems connected to the municipal grid and a lower reselling rate for generated excess electricity back to the Municipality. • Performing daily bank reconciliations • Electronic vetting system to determine household income as per the Indigent Support Policy • Enforcement of the Credit and Debt Collection Policy

Financial Risks		Mitigating Plans	
2	Failure to prevent, detect and investigate theft, fraud and corruption.	2	• Implementation of an anonymous reporting hotline. • Developing and executing fraud awareness initiatives • Having a dedicated function that is responsible for fraud investigation, prevention and detection. • Regular exception reporting to detect red flags that may require further management attention.
3	Non-compliance with legislative requirements and regulations that are applicable to municipalities, especially regarding procurement processes, submission of financial reports and POPIA.	3	• Implementing policies and procedures to ensure compliance to legislative requirements. • Monitoring of compliance requirements through iComply system • Creating internal due dates which are monitored at an executive level to ensure compliance to legislative submissions such as the submission of annual financial statements and section 71 reports. • Obtaining consent from service providers to use personal information for purposes to perform tasks and having a filing system in place to safeguard personal information.
4	Compilation of financial statements based on incomplete and/or inaccurate financial data which may result in material misstatements.	4	• Verifications/reconciliations of financial reports to ensure completeness and accuracy. • Review of financial statements before submission to the Auditor General • Segregation of duties when preparing and

Financial Risks		Mitigating Plans	
			reviewing the financial statements
5	Operating expenses classified capital expenditure	5	• Departmental submission of asset acquisition forms and invoices • Job numbers required for capital expenditure before requisition can be created on Solar. • Capital expenditure review by Asset Management section to ensure correctness and allocation
6	Failure to prevent or detect losses on pre-paid electricity or water sales	6	• Monitoring of arrear accounts by the credit control and debt collection section to identify and detect meters where no purchases are made. • TIID rollover audit to identify tampered meters.
7	Preference Point system is not used in the evaluation and adjudication of bids which can result in irregular expenditure awards are made where the preference point system was not correctly applied.	7	• Ensure that a system of delegation is in place for appointments which are made. There should be a clear reporting line for the processing of quotations which needs to be captured, reviewed and approved by different levels within Supply Chain Management • Ensuring that Supply Chain Management stipulates which preferential point system applies and monitor compliance thereto.

Financial Risks		Mitigating Plans	
8	The Municipality contracting with person(s) in service of the state or individuals with close ties to the Municipality.	8	• Verification needs to be conducted with the Department Public Service Administration. • Conducting • Verification of suppliers with the Central Supplier Database (CSD) • Verification of suppliers with the Companies and Intellectual Property Commission (CIPC) • Annual declarations of interest to be completed by officials.

Comprehnsive finncial risks register - few students include doing business with th state.

Going concern assies have been alleviated in the last two years, but still a valid risk.

List of sources

1. Learner Guide: Apply risk management in South African Municipalities Unit Standard ID 116339;

2. Drakenstein Municipality Fraud and Risk Management Policy 30 September 2020;

3. Drakenstein Municipality risk assessment methodology;

4. Drakenstein Municipality tactical and operational risk registers;

5. SALGA best practice for municipalities on the enterprise risk management roles and responsibilities;

6. Business Tech's article published on their website on 25 August 2021 *(This map shows the best and worst run municipalities in South Africa – BusinessTech); and*

7. ChatGPT (openai.com).

Thank you for the list of sources.