

An aerial photograph of a coastal town. In the foreground, there is a large, multi-story, light-colored building complex situated on a hillside overlooking the ocean. To the right of the building is a large, shallow lagoon or bay with a sandy beach. The ocean is a deep blue, and the sky is clear. In the background, there are more hills and a coastline.

Risk Management Implementation Challenges and Possible Actions



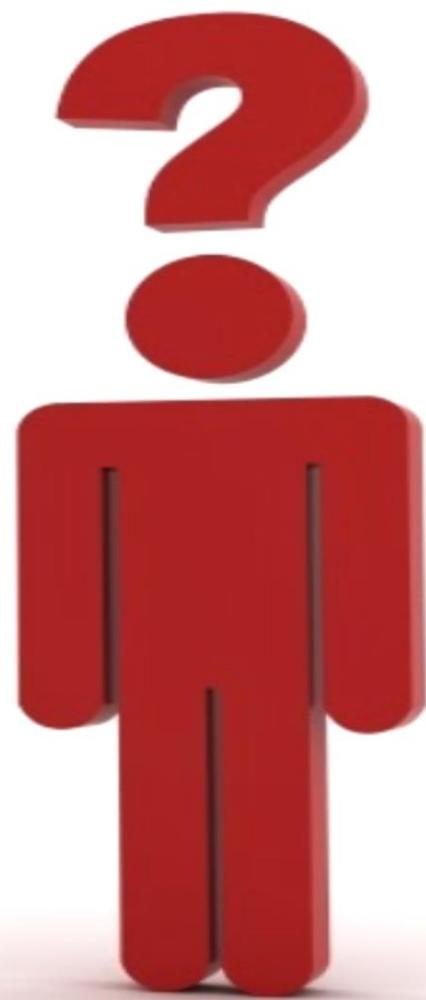
IN LOCAL GOVERNMENT – WESTERN CAPE

Western Cape – Overview (MGRO)

MUNICIPALITY NO.	2013/2014	2014/2015	2015/2016	2016/2017	
1			N/A	N/A	Unchanged
2					Unchanged
3					Unchanged
4					Unchanged
5					Improved
6					Improved
7					Unchanged
8					Improved
9					Improved
10					Improved
11					Improved
12					Improved
13					Improved
14					Unchanged
15					Improved
16					Unchanged
17					Unchanged
18					Unchanged
19					Unchanged
20					Deteriorated
21					Unchanged
22					Improved
23					Deteriorated
24					Improved
25					Improved
26					Unchanged
27					Deteriorated
28					Deteriorated
29					Improved
30					Improved

LEGEND	LEVEL	MATURITY
	1	Start-up
	2	Development
	3	Control
	4	Information
	5	Managed
	6	Optimising

Legend	Level	Number	Maturity
	1	8 (28%)	Start-up
	2	7 (24%)	Developed
	3	6 (21%)	Control
	4	5 (17%)	Information
	5	3 (10)	Managed
	6	N/A	Optimised



Role Players and challenges

KEY ROLEPLAYERS	PROBLEM STATEMENTS
Council	Council is not taking an interest in risk management to the extent required to protect the municipality against significant risks
Accounting Officer	Accounting Officers are not taking ownership of risk management and setting the appropriate tone at the top
Audit Committee	Audit committees are not advising council on the effectiveness of risk management
Risk Management Committee	Risk Management Committees are not chaired by an independent external chairperson BUT by the Accounting Officer
Chief Risk Officer (CRO)	Officials appointed as risk officers does not possess the specialist expertise required to assist the municipality to embed risk management
Internal Auditors	Internal auditors are being assigned the task of driving risk management when they should be evaluating the effectiveness of the municipalities system of risk management & provide recommendations for improvement
Management	Management is not devoting person attention to overseeing the management of key risks within their area of responsibility

Challenges

Challenges	Problem statement
Inaccurate positioning of ERM Structure	The structurer is not strategically positioned in the institution
Inadequate ERM capacity	ERM Managers/Chief Risk Officer appointed at low salary-scale levels which hamper effective attraction of scarce/critical skills
Incomplete municipal risk profile	Lack of Capacity and support
13 out 30 Municipalities without CRO/RM	Lack of tone from the top
Ineffective risk monitoring & assurance	Due to shortage of ERM personnel
Resistance by Management	Risk Management seen as added responsibility

Possible Solution

- Conducted Risk awareness sessions starting with top management
- CRO should be appointed at the right level
- The Risk Management Unit should be strategically positioned with the institution.
- Management should take ownership of risks and reports
- Risk Management Committees should be chaired by independent people
- RMC and Risk Champion continuous training

The Journey



Strategic Risks

As municipalities pursue its local government mandate, it faces an environment characterised by both risks and opportunities. The municipalities are vulnerable to risks associated with fulfilling their mandate and achieving their strategic objectives. The executive committee must ensure and obtain assurance that key strategic and operational risks inherent in the municipality's strategies were identified and assessed, and are being properly managed.

The ERM Unit must facilitate the strategic, functional, business continuity and project risk assessment sessions with business units and develop the municipal risk profile/register. The municipal environment is fraught with unique challenges and the below mentioned is a summary of the top 10 strategic risks facing the municipalities:

1. Inadequate budget to achieve municipal objectives
2. Failure to ensure effective growth of local/district economy
3. Ineffective response to severe storms and fire disasters
4. Ineffective planning and coordination of municipal bulk infrastructure to meet expected community needs
5. Inability of the municipality to attract, build/nurture & retain scarce/critical skills
6. Failure to ensure effective integration of municipal-wide strategic planning processes
7. Political Instability
8. Failure to execute engineering projects within set targets
9. Ineffective supply chain management
10. Non-compliance with laws & regulations

Strategic Risks

Strategic Objective	Strategic Risk	Potential Root Causes	Consequences
Political Office	Political Instability	Failures of Coalition governments	<ul style="list-style-type: none"> • Change in political leadership = change Executive • Change in Policy direction • Change of strategic objectives • Uncertainty • Politically motivated investigations • Poor service delivery • Four Municipal Manager in five years

Strategic Objectives	Top Strategic Risks	Potential Root Causes
Financial Services	Inadequate budget to achieve municipal objectives	Only 10% of the population paying rates
		10% of the population financing the rest of the Municipality
		Dependency on tourism market

Strategic Risks

Strategic Objectives	Top Strategic Risks	Potential Root Causes	Consequences	Potential Mitigation Action Plans
Corporate Services	Inability of the municipality to attract, build/nurture and retain scarce/critical skills	High Cost of living in Plett	<ul style="list-style-type: none"> High staff turnover Poor Service Delivers 	Middle Income Housing Project
		Lack of Middle Income housing		Provision of municipal houses to staff
		Financial Constraints		Scarce skills allowance
		Failure to enhance resource planning		

Strategic Objectives	Top Strategic Risks	Potential Root Causes
Community Services (Public Safety)	Ineffective response to severe storms and fire disasters	Failure to improve municipal disaster operations efficiency
		Inadequate disaster management resources due to inappropriate/ aging infrastructure and equipment
		Inability to recover from business interruptions within RTO due to loss of access to site and environmental incidents

House & Business Burnt to ashes

Private residence

Plett Hotel



RDP

Grazing and
land and
Plantation

Consequences

- 7 people died (numbers of injuries)
- 100 mansion properties (67 not insured)
- 36 RDP House (Some no yet transferred to beneficiaries)
- Loss of grazing Land and Plantation (Farms and plantation)
- 100's of jobs lost
- Increased indigent Register
- Millions of R's in damaged infrastructure
- Negative impact on tourism

Lessons Learned

- The Municipality is not ready to deal with such disasters.
- Disaster Management Infrastructure and equipment is not adequate
- Poor Communication between the municipalities and the community on evacuation procedures.
- Lack of disaster relief Centres to accommodate victims of fires
- Lack of properly co-ordination of relief centers between the Municipality and volunteers
- Knysna might not be suitable for our back up tapes
- Sympathy and humanity showed by many
- Ability of plett community/ municipal workers to work together as unity without any expectations

Actions to address the disasters

1. Establishment of task teams to deal with shortcomings identified
2. Budgeting for new fire trucks
3. Opening of two more fire stations closer to the communities
4. Opening a fire station at the airport
5. Capacitating the disaster management unit
6. Drafting of SOP for the use of donor funds
7. Waiving building plan fees for fire victims
8. Rebate on rates
9. Assist victims with mop up
10. Identifying a farm for landfill site
11. Establishment of warehouse to also cater as a relief centre

Other Strategic Issues/Priorities

No	Strategic Issues/Priorities	Potential Practical Ideas To move Forward To where Municipalities Needs To Be
1	<p>Failure to meet increase demands of human settlement housing (affordable social & gap housing) due to:</p> <ul style="list-style-type: none"> • Migration – increase unemployment rate • Increased population – illegal occupation of land (informational settlements/shacks) 	
3	<p>Lack/Unavailability of suitable landfill site land due to nonalignment of waste management strategy with local/regional spatial development & environmental planning</p> <ul style="list-style-type: none"> • Illegal dumping • Increase operational costs (R500 000 monthly) 	<ul style="list-style-type: none"> • Consumer education • Identification of land for landfill site • Built recycling centre • Promote recycling

Conclusion

- The strategic risks mentioned in the previous slides, especially the top 10 strategic risks have the potential to undermine the effective, efficient and economical achievement of municipal strategic objectives; including the potential to miss out on opportunities to effectively, efficiently and economically optimize when pursuing municipal strategic objectives
- The main concern isn't as such the risk exposure to the municipalities but how the risk owners manage the risks to be within its risk appetite & tolerance level in order to provide reasonable assurance regarding the achievement of municipal objectives
- **NB!!! The question is? Can the directorate/departmental managers provide that reasonable assurance to the stakeholders regarding the achievement of Municipal Strategic Objectives**
- **NB!!! If not then we ought to be not surprise when certain municipal objectives are not optimally met at the end of the financial year end; since the risks exposure that threatens the strategic objectives were not effectively managed**

Conclusion

- We know that risk management cannot be effective until it is the responsibility of every manager and employee and thoroughly understood and embedded in the municipal culture.
- Should this occur then it is reasonable to assume that every decision made in the local government will have due regard for the impact it has on the risk profile of the municipalities, provincial and national government as a whole, and the municipal council and local/regional municipal citizens will have increase confidence that the municipalities is being effectively managed

Conclusion

- The ERM Strategy should include to be recognised as a valuable strategic partner in the achievement of the Municipal Strategic Objectives set within the IDP.
- Part of the ERM value-adding strategy is to continuously driving risk management to higher levels of maturity.
- Hence, ERM Unit must be strategically placed in order to enhance their performance in order for the municipality to reach the highest level of risk management maturity.
- For this is the stage where the focus of the municipalities will shift firmly to employing risk management to optimise effectiveness, efficiency and economy within its operations and the state where risks taken are consistent with its risk tolerance level.

THANK
YOU