

ITEM NUMBER: C 08/12/22***RECOMMENDATION FROM THE EXECUTIVE MAYOR: 15 NOVEMBER 2022*****MC 39/11/22 CITY OF CAPE TOWN RISK ACCEPTANCE LEVELS AND RISK ACCEPTANCE STATEMENTS (LSU P1462)**

It is **RECOMMENDED** that the revised Risk Acceptance Levels (RALs) and Risk Acceptance Statements attached as Annexure A to the report on the agenda, be approved, which includes setting RALs as follows:

- (a) Operations / Service Delivery; Financial; Assets / Infrastructure; Human Capital; Safety and Security (including Occupational Health and Safety); Information and Knowledge Management; Environment; Community / Social / Cultural Heritage; Reputation (incl. Media) and Legal / Compliance Risk Acceptance Level at thirty-six (36); and
- (b) Corporate crime (e.g. fraud, corruption and theft) and unethical behaviour at zero (0).



REPORT TO: MAYORAL COMMITTEE (MAYCO)

1. ITEM NUMBER: MC 39/11/22

2. SUBJECT

CITY OF CAPE TOWN RISK ACCEPTANCE LEVELS AND RISK ACCEPTANCE STATEMENTS

ONDERWERP

RISIKOANVAARDINGSVLAKKE EN RISIKOANVAARDINGSSTATE VIR DIE STAD KAAPSTAD

ISIHLOKO

**AMANQANABA OKWAMKELEKA KOMNGCIPHEKO NEENGXELO
EZINGOKWAMKELEKA KOMNGCIPHEKO KWISIXEKO SASEKAPA**

P1462

3. DELEGATED AUTHORITY

In terms of Principle 11 of the Municipal Supplement to the King Report on Corporate Governance in South Africa (King IV), which was adopted by Council on 5 December 2017, it is stated that Council should govern risk in a way that supports the City in setting and achieving its strategic objectives. One of the Recommended Practices (Practice number 4) of King IV states that the governing body should evaluate and approve the nature and extent of the risks that the organisation should be willing to take in pursuit of its strategic objectives. Note that, in the local government sector context, the Municipal Supplement to King IV recognises that any role assigned to the Governing Body is applicable to the Municipal Council.

This report is for

- Committee name** : Mayoral Committee (MAYCO)
- The Executive Mayor together with the Mayoral Committee (MAYCO)
- Council

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4. DISCUSSION

As per Council Resolution C 15/07/22 the previously submitted Risk Acceptance Levels (RAL's) and Risk Acceptance Statements were presented to all 14 Portfolio Committees during September 2022 and all members of these Portfolio Committees were afforded the opportunity to submit inputs for consideration by 30 September 2022.

In collaboration with the relevant Lead Executive Directors the inputs received have been assessed and the relevant Risk Acceptance Statements amended as indicated on **Annexure A**,

- 4.1. Financial Implications None Opex Capex
- Capex: New Projects
 - Capex: Existing projects requiring additional funding
 - Capex: Existing projects with no Additional funding requirements

4.2. Policy and Strategy Yes No

4.3. Legislative Vetting Yes No

4.4. Legal Implications Yes No

The setting of the Risk Acceptance are informed by:

- The Constitution of the Republic of South Arica, 1996;
- Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA);
- Assurance Governance Framework, IRM SOP and Implementation Plan;
- The King IV Report on Governance for South Africa, 2016; and
- Public Sector Risk Management Framework.

4.5. Staff Implications Yes No

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- 4.6. Risk Implications Yes The risks for approving and/or not approving the recommendations are listed below:

The approval of the Risk Acceptance Levels and Statements sets the tone at the top and guides management in the mitigation of risks to an acceptable level. (To not over mitigate at the cost of service delivery and not taking too much risk.)

- No Report is for decision and has no risk implications.
- No Report is for noting only and has no risk implications.

- POPIA Compliance Yes It is confirmed that this report has been checked and considered for POPIA compliance.

5 RECOMMENDATIONS

It is recommended that:

*The **Executive Mayor** together with Mayco supports for onward submission for Council approval the revised Risk Acceptance Levels and Risk Acceptance Statements (**Annexure A**) which includes setting RALs as follows:*

- a) Operations/Service Delivery; Financial; Assets/Infrastructure; Human Capital; Safety and Security (including Occupational Health and Safety); Information and Knowledge Management; Environment; Community/Social/ Cultural Heritage; Reputation (incl. Media) and Legal/Compliance Risk Acceptance Level at thirty-six (36); and
- b) Corporate crime (e.g. fraud, corruption and theft) and unethical behaviour at zero (0)

AANBEVELINGS

Daar word aanbeveel dat:

*Die **uitvoerende burgemeester** tesame met die burgemeesterskomitee die hersiene risikoaanvaardingsvlakke en risikoaanvaardingstate (**bylae A**) vir verdere voorlegging vir Raadsgoedkeuring steun, en wat die stel van risikoaanvaardingsvlakke soos volg insluit:*

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- a) *Bedryghede/dienslewering; finansieel; bates/infrastruktuur; mensekapitaal; veiligheid en sekuriteit (insluitende beroepsgesondheid en -veiligheid); inligtings- en kennisbestuur; die omgewing; gemeenskaps / maatskaplike / kulturele erfenis; reputasie (insluitende media); en regs-/nakomingsrisikoaanvaardingsvlakke op ses en dertig (36); en*
- b) *Korporatiewe misdaad (bv. bedrog, korrupsie en diefstal) en onetiese gedrag op nul (0).*

IZINDULULO

Kundululwe ukuba:

USodolophu weSigqeba ekunye neKomiti yeSigqeba sakhe makaxhase aManqanaba ahlaziyiweyo okwaMkelwa kwezoMngcipheko neeNgxelo ezingokwaMkelwa koMngcipheko (isihlomelo A) ukuba angeniswe kwiBhunga ukuze aphunyezwe kubandakanya nokumisela iiRAL ngolu hlobo lulandelayo:

- a) Imisebenzi/uNikezelo lweeNkonzo; ezeMali; li-asethi/iziseko zophuhliso; UPuhliso lweZakhono zoLuntu; uKhuseleo noKhuseleko (kubandakanywa iPilo noKhuseleko eMsebenzini); Ulawulo lweeNkcukacha noLwazi; okuSingqongileyo; ILifa leMveli loLuntu/leNtlalo/leNkcubeko; Isidima (kuquka amajelo eendaba) kunye nokuThotyelwa neNqanaba loKwamkeleka koMngcipheko kumashumi amathathu anesithandathu (36); kwaye
- b) Ulwaphulomthetho kwiziko (umzekelo, ubuqhophololo, urhwaphilizo nobusela) kunye nokuziphatha ngendlela engamkelekanga kuziro (0)

ANNEXURES

Annexure A: Risk Acceptance Levels and Risk Acceptance Statements for approval

FOR FURTHER DETAILS CONTACT

NAME	Maureen Noonan	CONTACT NUMBER	021 400 2089
E-MAIL ADDRESS	Maureen.Noonan@capetown.gov.za	Maureen Noonan	<small>Digitally signed by Maureen Noonan Date: 2022.10.26 07:51:16 +0200</small>
DIRECTORATE	Office of the City Manager	FILE REF NO	2/16/1/1P
SIGNATURE : DIRECTOR	Ludwig Geldenhuys <small>Digitally signed by Ludwig Geldenhuys Date: 2022.10.26 07:57:39 +02'00'</small>		

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CHIEF RISK, CONTINUITY AND ETHICS

NAME Ludwig Geldenhuys COMMENT: _____

DATE _____


SIGNATURE  Digitally signed by Ludwig Geldenhuys
Date: 2022.10.26 07:58:16 +02'00'

The Chief's signature represents support for report content and confirms POPIA compliance.

MAYORAL COMMITTEE MEMBER

NAME Siseko Mbandezi COMMENT: _____

DATE _____

SIGNATURE  Digitally signed by Siseko Mbandezi
Date: 2022.10.26 08:52:01 +02'00'

LEGAL COMPLIANCE

- REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.
- NON-COMPLIANT

NAME _____ COMMENT: _____

DATE _____

SIGNATURE  Digitally signed by Joan-Mari Holt
Date: 2022.10.26 11:47:22 +02'00'

Certified as legally compliant based on the contents of the report.

Statement No.	Risk Stream	RAL	Risk Acceptance Statement Previously Agreed on	Risk Acceptance Statement Previously Agreed on
1	Operations/Service Delivery	36	CCT strives to achieve all objectives and does not accept the non-achievement of business objectives that will result in the non-achievement of the overarching Directorate/City strategic objectives.	CCT strives to achieve all objectives and does not accept the non-achievement of business objectives that will result in the non-achievement of the overarching Directorate/City strategic objectives.
2	Financial	36	CCT ensure financial sustainability through good governance and does not accept budget deviations and losses (e.g. financial losses, over-spending, loss of revenue opportunity) that results in: that results in: <ul style="list-style-type: none"> • Deviations or losses of a material nature, i.e. more than: - 0,25% of the City-wide budget; - 2% of the directorate budget; and/or - 15% on the departmental budget ; An unqualified AGSA audit opinion, but containing other matter(s) in the audit report.	CCT ensure financial sustainability through good governance and does not accept budget deviations and losses (e.g. financial losses, over-spending, loss of revenue opportunity) that results in: <ul style="list-style-type: none"> • Deviations or losses of a material nature, i.e. more than: - 0,25% of the City-wide budget; - 2% of the directorate budget; and/or - 15% on the departmental budget ; An unqualified AGSA audit opinion, but containing other matter(s) in the audit report.
3	Assets/Infrastructure	36	CCT accepts that with limited resources there will be temporary and/or partial failures/loss of assets and infrastructure, but does not accept such failures if it results in widespread medium-term breakdowns in some major service delivery, requiring additional/redirection of resources to rectify.	CCT accepts that with limited resources there will be temporary and/or partial failures/loss of assets and infrastructure, but does not accept such failures if it results in widespread medium-term breakdowns in some major service delivery, requiring additional/redirection of resources to rectify.
4	Human Capital	36	CCT plans for and manages people risk to ensure that there is appropriate and necessary skills and competence to deliver the services to the stakeholders at all times, hence risks that can result in major delays to services needs to be mitigated by means of additional actions to bring service delivery to an acceptable level	CCT plans for and manages people risk to ensure that there is appropriate and necessary skills and competence to deliver the services to the stakeholders (fostering a client centric culture at all times), hence risks that can result in major delays to services needs to be mitigated by means of additional actions to bring service delivery to an acceptable level
5	Safety and Security (incl. Occupational Health and Safety)	36	CCT does not accept risk that will result in: <ul style="list-style-type: none"> • A stakeholder or multiple stakeholders (incl. staff) incurring a reversible and/or irreversible injury that requires hospitalisation; • DRM Systems operating at maximum capacity; Cases of displacement of people.	CCT does not accept risk that will result in: <ul style="list-style-type: none"> • A stakeholder or multiple stakeholders (incl. staff) incurring a reversible and/or irreversible injury that requires hospitalisation; • DRM Systems operating at maximum capacity; Cases of displacement of people.
6	Information Knowledge Management	36	CCT does not accept significant risk of data and information management breaches that could result in <ul style="list-style-type: none"> - bad decisions being made based on bad data or available data not being accessible - Unauthorised disclosure of sensitive or confidential data 	CCT does not accept significant risk of data and information management breaches that could result in <ul style="list-style-type: none"> - bad decisions being made based on bad data or available data not being accessible - Unauthorised disclosure of sensitive or confidential data - data protection laws being breached Requires the management of all City data sets with accuracy, honesty, responsibility and accountability.

Statement No.	Risk Stream	RAL	Risk Acceptance Statement Previously Agreed on	Risk Acceptance Statement Previously Agreed on
7	Environment	36	The CCT has a statutory duty to ensure controls are in place to adequately manage both the likelihood and the impact of risks to the environment, and to apply a risk averse approach to the environment which takes into account the limits of current knowledge. Serious cases of impairment or loss of ecosystem functioning cannot be accepted as they may result in significant costs for mitigation and rehabilitation.	The CCT has a statutory duty of care , to ensure controls are in place to adequately manage both the likelihood and the impact of risks to the environment, and to apply a risk averse approach to the environment, while: <ul style="list-style-type: none"> - taking cognisance of all applicable law, agreed on standards and licensing agreements; - respecting all life: human, animals, wild life (fauna and flora); and - takeing into account the limits of current knowledge. Serious cases of impairment or loss of ecosystem functioning cannot be accepted as they may result in irreparable environmental impacts and reputational Harm. Furthermore, where restoration or rehabilitation of the environment is possible, there is a significant financial cost to the City.
8	Community/Social/Cultural Heritage	36	CCT strives to ensure service delivery to the community in a manner that will enhance social cohesion and the protection of issues of cultural significance and will not accept: <ul style="list-style-type: none"> • On-going significant social issues and reduced services within the community which could result in community backlash or community rejection; OR Serious damage to issues of cultural significance, repairable over medium term.	CCT strives to ensure service delivery to the community in a manner that will enhance social cohesion, enhance developmental needs and protect issues of cultural significance and will not accept: <ul style="list-style-type: none"> • On-going significant social issues and reduced services within the community which could result in community backlash or community rejection; OR • Serious damage to issues of cultural significance, repairable over medium term; OR • Display of a lack of respect shown to the diverse cultural and religious beliefs of Cape Town communities
9	Corporate crime (e.g. fraud, corruption and theft) and unethical behaviour	0	CCT has a zero acceptance for any unethical behaviour and/or corporate crime (e.g. fraud, corruption and theft).	CCT has a zero acceptance for any unethical behaviour and/or corporate crime (e.g. fraud, corruption and theft).
10	Information System Security	36	CCT does not accept significant risk of IT breaches that could compromise the confidentiality, integrity and availability of CCT networks, systems, data and information	CCT does not accept significant risk of IT breaches that could compromise the confidentiality, integrity and availability of CCT networks, systems, data and information
11	Reputation (incl. Media)	36	CCT strives to ensure and maintain an excellent relationship (reputation) with all stakeholders and is not willing to accept incidents/behaviour that may cause an inherently high reputational risk, i.e.: <ul style="list-style-type: none"> • Adverse media attention on a National level for about two weeks; OR The disclosure any sensitive data and information.	CCT strives to ensure and maintain an excellent relationship (reputation) with all stakeholders and is not willing to accept incidents/behaviour that may cause an inherently high reputational risk, i.e.: <ul style="list-style-type: none"> • Adverse media attention on a National level for about two weeks; OR The disclosure any sensitive data and information.
12	Legal/ Compliance	36	CCT will substantively comply with applicable laws and regulations and will strive to not materially breach, or accept any material breach of regulatory or contractual obligations which may result in - <ul style="list-style-type: none"> • Cost to the City due to litigation; • Potential prosecution and/or fines; OR Increased scrutiny from regulators.	CCT will substantively comply with applicable laws and regulations and will strive to not materially breach, or accept any material breach of regulatory or contractual obligations which may result in - <ul style="list-style-type: none"> • Cost to the City due to litigation; • Potential prosecution and/or fines; OR Increased scrutiny from regulators.