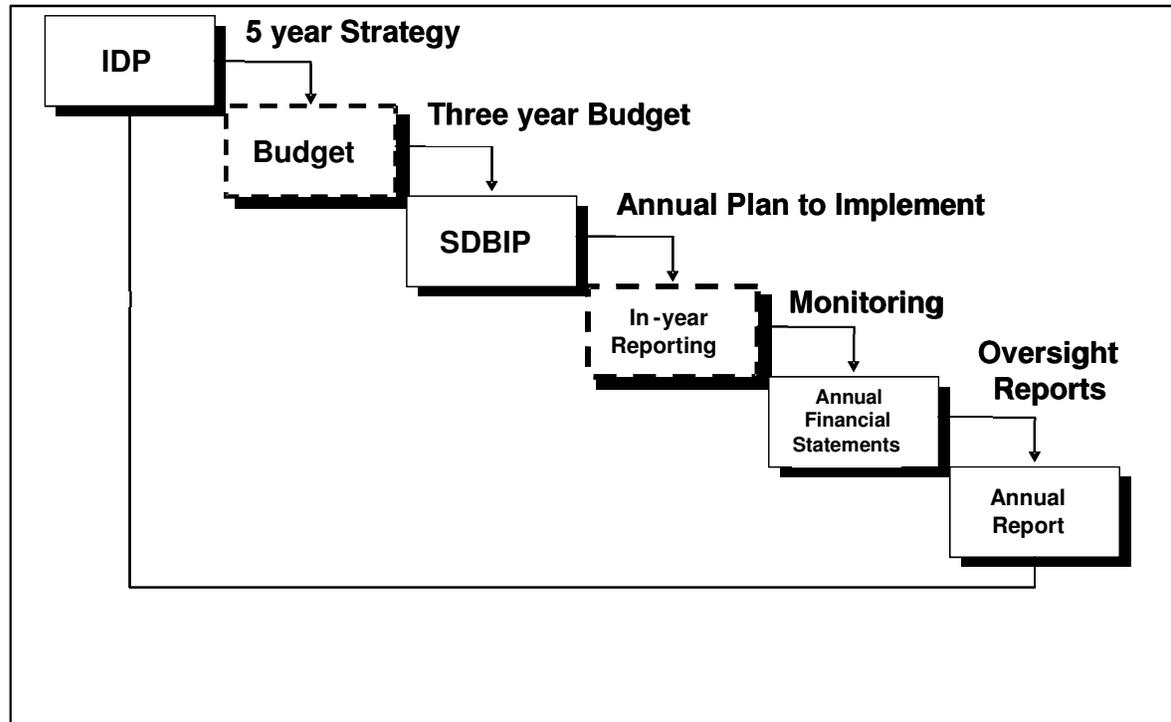


Addendum to CIGFARO presentation

Municipal Accountability Cycle



Source: NT Financial Management Reforms – IMFO Conference Presentation 24 October 2012

Risks as identified within the city of Ekurhuleni

A **risk analysis** was undertaken by the researcher within the municipality in order to determine what risks the municipality faces in terms of its infrastructure management and the challenges that accompany it. The researcher has looked at the **types of risks in terms of the operational, financial and operational/financial** (these are operational risks which have an operational and financial element, albeit all risks pose a financial challenge to the municipality). Thereafter a **rating out of ten was given in terms of the probability, impact and timing of the risk** should it ultimately realize. These three elements were then multiplied in order to get the risk rating. Most of these risks occur in the processing phase of the **systems theory** but impacts the outcome and the impact of service delivery to communities. However, it is in the feedback phase where it is being addressed as it impacts the **inputs** (now bigger budgets have to be provided), **processing** (which requires greater emphasis on effectiveness, economy and efficiency), **output** (fewer goods and services can be

supplied because of lesser budgets), **outcome** (equity now comes into play as the municipality has to cut on certain services to certain communities) and as already mentioned the **final impact** (promises that were made cannot be met) it has on communities if not properly addressed.

Risk Matrix of EMM's infrastructure

No.	Risk Type	Risk Description	Probability	Impact	Timing	Risk Rating
1	Operational/Financial	Water distribution losses	10	10	10	1000
2	Operational/Financial	Electricity distribution losses	10	10	10	1000
3	Operational/Financial	Eradication of huge infrastructure backlogs	10	9	9	810
4	Operational/Financial	SCM challenges affecting infrastructure maintenance	10	10	9	900
5	Operational	Ageing infrastructure	10	10	8	800
6	Operational/Financial	Vandalism and theft of infrastructure	8	9	9	648
7	Operational/Financial	Increasing cost of maintaining infrastructure that could have been prevented	10	10	10	1000
8	Operational	Human skills and capacity to manage infrastructure	8	8	8	512
9	Operational	Succession planning and institutional capacity retention	8	7	9	504
10	Operational	Service interruptions due to non-maintenance	9	8	8	576
11	Operational	Senior management involvement in infrastructure management and maintenance	7	9	8	504
12	Operational	Political support in terms of infrastructure management and maintenance	8	9	8	576
13	Operational	Maintenance Programme for Infrastructure	9	9	9	729
14	Operational	Population growth	10	10	10	1000
15	Operational	Coordination of departments to address infrastructure management	8	9	7	504
16	Operational	Infrastructure growth to meet community needs	9	10	8	720
17	Financial	Funding availability to meet community needs	9	10	10	900
18	Financial	Spending levels to meet National Treasury requirements	10	9	10	900
19	Operational	Corporate governance	7	8	9	504

Risk mitigation efforts

The municipality must **immediately and strategically address those rating of 900 and above in the short term**. These include issues such as **distribution losses, undertaking preventive maintenance of infrastructure, population growth** within

the municipality which is a constant moving target which cannot be resolved by itself without assistance from national and provincial governments. By not acting timeously the municipality opens itself to claims of damages as in the case in Boksburg not so long ago where residents inform the municipality about possible risks, but it took so long to respond (Boksburg Advertiser 2015:12). Those issues which rated 900 refer to **SCM challenges** where infrastructure maintenance is affected, **funding availability** and this refers to an **improvement of revenue collection** which will assist the municipality to acquire essential infrastructure especially high mast electricity lights and sanitation services in the informal areas where most communities reside. This will assist the municipality to meet the increased CAPEX requirement by NT, which says that EMM's expenditure is far below those of other metros in the country (benchmarking).

By increasing the capital spending of the metro, the following **two types of risks** will be addressed, namely the **eradication of huge infrastructure backlogs** and the **ageing infrastructure** that the municipality is being crippled by. By having an approved maintenance programme in place and where it is acted upon by officials, the growth in infrastructure will be able to meet the community growth and needs, albeit very slow at first, but it will be able to catch up over the next 5 to 10 years with the population growth, and infrastructure renewals needs. Other factors such as **vandalism, theft, service interruptions** due to non-maintenance will have to be eradicated to a great extent which will allow the municipality because of better management and control over its infrastructure to build its capital replacement reserves whereby infrastructure can be replaced as and when it becomes obsolete.

However, all of these will be achieved where municipal officials have the requisite **political support** in terms of management and maintenance of infrastructure. Politicians must realize that it is good to have a brand new multi-purpose centre built, but what about the one that is already there, that must be looked after by the community and maintained by the municipality. Politicians do play their oversight and leading roles in certain departments, and this can be seen on the streets of the municipality. However, in some departments it is glaringly obvious that there is no oversight and accountability. This also requires senior management involvement in the day to day management of infrastructure. This is more than just receiving a

monthly report on R&M, OPEX and the CAPEX report, but asking the deep penetrating, probing questions and involving yourself as head of department in the planning and the execution of duties of the department.

EMM must really address its **human capacity and skill shortage** and requirements to manage its infrastructure. Some departments are doing a great job at it, but others must still come on board. This includes the entire Human Resource Management function, from the officials' appointment right through to their resignation and/or retirement. Officials must be equipped on an on-going basis, and in no way should any official be allowed not to have a procedure manual in place and be kept updated as this will also assist his/her subordinates to know the procedures or processes to be followed should such one not be available for whatever reason. Senior officials and especially heads of departments must give earnest attention to this requirement as the municipality will one day come to a grinding halt because of a lack of knowledge and expertise, where senior officials have left because of natural attrition. However, the senior officials must also know that they have a moral responsibility towards the municipality to teach and guide their subordinates just as they were taught by their seniors in the past.

A successful infrastructure management system can only be achieved where there is **integration and coordination** between departments. During the research study, some departments had no idea of the Comprehensive Municipal Infrastructure Plan (CMIP) and this is an indication that they are working in silos. Integration and coordination are not only necessary during the planning and budget planning stages of a programme, but throughout the execution phase as these impact on the scarce resources of the municipality. Through the Enterprise Project Management Office (EPMO), departments can keep abreast of developments in other departments that also affect their performance, e.g. Roads and Stormwater department building roads and sewerage networks in an area that has been identified and approved for human settlement.

Regarding governance, every department has to ensure that it does not fall foul of governance risks. Departments have to ensure that when dealing with potential suppliers, that they do not do business with people who are already in employ of the state. This can impact a contract to such an extent that the goods are never delivered

which again impact service delivery. Governance issues such as illegal connections that are taking place, theft of movable assets, poor contract management all impact the municipality negatively as it damages its reputation and people do not take the municipality seriously when it speaks about integrity. All departments have now appointed a divisional head that has to ensure that governance and compliance are always on the minds of officials and that they comply to the prescribed issues, albeit policy, guidelines, regulations or law.

Lowe and Wall (2004:14-15) state that the **key elements of effective infrastructure management** are:

- Strategic recognition and ownership of infrastructural challenges particularly by asset owners and service delivery authorities – the municipalities themselves;
- A long-term perspective and life-cycle approach;
- Political “stewardship”, visionary leadership and commitment to long term plans;
- Strong inter-disciplinary collaboration and teamwork;
- Engagement of and communication with service customers;
- Measurement of service levels and performance standards, and setting of targets linked to strategic objectives;
- Adequate resourcing, optimizing revenue’s and or minimizing of costs or other inefficiencies;
- Annual implementation, review and reporting to all affected parties.

EMM has embraced some of these points, however, much **greater collaboration is still required from many stakeholders** starting with the politicians, officials and most importantly the communities whose lives are ultimately affected if there is an interruption in services.