

MANDENI MUNICIPALITY



ENTERPISE RISK MANAGEMENT POLICY

2025/2026

RISK MANAGEMENT POLICY

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1. INTRODUCTION

No organization has the luxury of functioning in a risk-free environment and municipalities are especially vulnerable to risks associated with fulfilling their mandates.

Risk management is a valuable management tool which increases an Institution's prospect of success through minimizing possible negative outcomes and optimizing opportunities.

Local and international trends confirm that risk management is a strategic imperative within high performing organizations.

The underlying intention of good governance is that institutions should through the risk management process achieve, amongst other things, the following outcomes:

- a. more sustainable and reliable delivery of services;
- b. informed decisions underpinned by appropriate analysis;
- c. innovation;
- d. reduced waste;
- e. prevention of fraud and corruption;
- f. better value for money through more efficient use of resources; and
- g better outputs and outcomes through improved project and programme management.

1. POLICY STATEMENT

- 1.1 The Accounting Officer has committed the Mandeni Local Municipality to a process of risk management that is aligned to the principles of good corporate governance, as supported by the Municipal Finance Management Act (MFMA), the King Code IV of Corporate Governance for South Africa 2009 and the ISO Standard 31000 (2009).
- 1.2 Risk Management is recognized as an integral part of the municipality and Council has therefore adopted a Risk Management Policy which stipulates that all managers are responsible for the identification and effective mitigation of risks.
- 1.3 The main focus is to enhance municipal service delivery by identifying and mitigating risks that could jeopardize the delivery of sustainable and affordable municipal services.

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- 1.4 The realisation of the municipality's strategic objectives as stipulated in the Integrated Development Plan (IDP) and Service Delivery Budget Implementation Plan (SDBIP) are the criteria for successful risk management.
- 1.5 Management must ensure that risk management becomes embedded into all administrative and operational processes and that it becomes part of the thinking and decision-making paradigms of all councilors and personnel.
- 1.6 It is expected that all officials will work together in a consistent and integrated manner, with the overall objective of reducing risks, as far as reasonably practical. Sound management of risks enables the municipality to anticipate and respond to changes in the service delivery environment, as well as taking informed decisions under conditions of uncertainty.
- 1.7 A Risk Management Framework has been implemented and will be adhered to by all managers to avoid confusion and ensure a high standard of risk management.

2. PURPOSE

Through this policy Mandeni Municipality puts into practice its commitment to implement risk management and embed a culture of risk management within the municipality. This policy forms the basis for the accompanying Risk Management Strategy which is designed to help achieve the objective of implementing an effective Enterprise Risk Management (ERM) process.

3. SCOPE

The scope of this policy applies throughout Mandeni Municipality in as far as risk management is concerned.

4. BENEFITS OF ENTERPRISE RISK MANAGEMENT

- 4.1 We expect the following benefits in adopting this enterprise risk management policy and effectively implementing the Enterprise Risk Management Framework:
 - Pursuing institutional objectives through transparent identification and management of acceptable risk
 - Providing an ability to prioritise the risk management activity
 - Enhancing risk response decisions
 - Reducing operational surprises and losses
 - Identifying and managing multiple and cross-enterprise risks
 - Seizing opportunities
 - Improving deployment of capital

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- Ensuring compliance with laws and regulations
- Increasing probability of achieving objectives

2. **LEGISLATIVE MANDATE**

- 2.1 The Municipal Finance Management Act, No.56 of 2003 stipulates in Section 62 that:
"The Accounting Officer of the municipality is responsible for managing the financial

administration of the municipality, must for this purpose take all reasonable steps to ensure that the municipality has, and maintains

i) Effective, efficient and transparent systems of financial and risk management and internal control; and

ii) Internal Audit operating in accordance with any prescribed norms and standards...

- 2.2 Treasury Regulations 3.2.1 and 27.2.1 stipulate that the Accounting Officer must ensure that risk assessment is conducted regularly to identify emerging risks of the institution. A Risk management strategy, which must include a Fraud Prevention plan, must be used to direct Internal Audit effort and priority, and to determine the skills required of managers and staff to improve controls and manage these risks. The Public Sector Risk Management Framework

- 2.3 The Public Sector Risk Management Framework (PSRMF) by National Treasury provides a generic guide for the implementation of risk management strategies in the public service, and suggests that risk management is a formal step-by-step process that can be applied at all levels of a Department.

- 2.4 National Treasury: Public Sector Risk Management Framework
(RKCO07/12/08) to ensure that a service delivery imperative exists for ERM.

- 2.5 The King IV Code of Governance for South Africa, 2016

The King IV Code has nine focus areas and the principles to be applied in each are of equal importance and together forms a holistic approach to governance. The Governance of Risk is one of these focus areas and in turn is broken up into governance elements, principles and recommended practices.

- 2.6 ISO 31000

ISO 31000 is an International Standard that provides a generic approach, principals and guidelines for managing of any form of risk in a systematic, transparent and credible manner and within any scope and context.

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3.DEFINITION OF KEY CONCEPTS

- 3.1 To avoid confusion and misunderstanding, it is imperative to define key risk management concepts.

Municipality

Means the Mandeni Local Municipality

Risk

The term refers to an unwanted outcome, actual or potential risk factor(s) of the Institution's service delivery and other performance objectives. Some risk factor(s) also present an upside potential, which management must be aware of and be prepared to exploit. This definition of "risk" also encompasses such opportunities.

According to ISO 31000, risk is the "effect of uncertainty on objectives", and an effect is a positive or negative deviation from what is expected. So, risk is the chance that there will be a positive or negative deviation, from the objective that the municipality expects to achieve.

Inherent Risk

The term refers to exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.

Residual Risk

This term refers to the remaining exposure after the mitigating effects of deliberate management intervention(s) to control such exposure (the risk remaining after Management has put control measures in place to control the inherent risk).

Risk Appetite

This term refers to the amount of residual risk that the institution is willing to accept.

Risk Factor

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Any threat or event which creates, or has the potential to create risk.

Risk Tolerance

The amount of risk the institution is capable of bearing, as opposed to the amount of risk it is willing to bear.

Risk response

A set of actions – avoiding, accepting, reducing, or sharing risk – developed in order to mitigate the identified risks.

Accounting Officer

This term refers to the Municipal Manager

Risk Owner

This term refers to the person accountable for managing a particular risk. In the case of the municipality, this term refers to the Head of a Department.

Risk Champion

This term refers to a Senior Manager/s within a department who assist their respective Risk Owner with all risk management processes in the department.

Action Owner

This term refers to the official responsible for the compilation and implementation of the action plans to mitigate a risk.

Chief Risk Officer

A Senior Manager who is the head of the Risk Management Unit.

Risk Officer:

A member/s of the Risk Management Unit who assists the Chief Risk Officer in the execution of his/her duties.

Risk Management

Risk Management is a systematic and formalized process to identify, assess, manage, monitor and evaluate risks. It is also a valuable management tool which increases an institution's prospects of successfully minimizing negative outcomes and optimizing opportunities.

Effective risk management requires:

- . A strategic focus
- . Forward thinking and active approaches to management
- . Balance between the cost of managing risk and the anticipated benefitsContingency planning in the event that mission critical threats are realized
- . Active participation and the commitment of management

Enterprise-Wide Risk Management (ERM)

ERM is a broad-based application of risk management in all major functions and activities of the Institution, rather than only in selected areas, to isolate the material risks.

Risk Management Unit

A unit within the municipality that is responsible for co-coordinating and supporting the overall Institutional risk management process, but which does not assume the responsibility of Management for identifying, assessing and managing risks.

Risk Identification

Risk identification is a deliberate and systematic effort to identify and document the Institution's key risks.

Risk Assessment

Risk assessment is a systematic process to quantify or qualify the level of risk associated with a specific threat or event, to enrich the risk intelligence available to the Institution. The main purpose is to help the municipality to prioritize the most important risks, as the institution is not expected to have the capacity to deal with all the risks in an equal manner.

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Retirement of Risks

Risks previously identified are to be retired after the circumstances that gave rise to the risk in the first place have ceased to exist. This takes place when objectives, mandates and responsibilities tied to a risk have been eliminated.

Retired risks must be classified as such and a repository of all retired risks must be maintained. Risks that are retired shall be reported accordingly

Risk Management Committee

The Risk Management Committee is a committee appointed by the Accounting Officer to assist him/her in the discharging of his/her responsibilities with regards to risk management.

Risk register

A record of all relevant information relating to the identification and management

Audit Committee

An independent committee established in terms of Section 166 of the Municipal Finance Management Act (MFMA) Act No. 56 of 2003.

Internal Audit must submit quarterly reports to Council on how municipal risks are being mitigated.

4.ROLE PLAYERS

The following role players are responsible for risk management in the municipality:

4.1 Council

The political body known as the Council of Mandeni Municipality is overall in a political sense, responsible to the community, for risk management.

The various Section 79 Oversight Committees have the responsibility to provide assurance to Council that risk management is effective.

The implication is that Council should be assured that all Risk Management processes are indeed in place and effective.

4.2 Municipal Manager

The role of the Municipal Manager is to ensure that all Risk Owners execute their risk management duties as per the Risk Management Framework. The Municipal Manager must also ensure that the Risk Management Unit is capacitated and functional.

4.3 Risk Owner

Risk Owners have the responsibility to mitigate all strategic and operational risks within his/her department and is accountable to the Municipal Manager for doing so.

Risk Owners also serve as members on the Risk Management Committee.

4.4 Risk Champion

Risk Champions are responsible to facilitate the following risk management processes in their respective departments, under guidance of their respective Risk Owner:

1. identification of risks
2. Categorization of risks
3. Rating of risks
4. Establishment of risk tolerance levels in the department
5. Compilation of action plans
6. Execution of the action plans
7. Submission of risk dashboards and risk related reports

4.5 Action Owner

The role of Action Owners is to compile and implement action plans, to mitigate all operational and strategic risks.

4.6 Audit Committee

The Audit Committee is an independent committee responsible for oversight of the Municipality's control, governance and risk management. Risk management responsibilities of the Audit Committee are formally defined in its charter. The Audit Committee provides an independent and objective view of the Municipality's risk management effectiveness. The role of the Audit Committee is to provide assurance to Council that all strategic risks are being mitigated successfully.

4.7 Risk Management Committee

The role of the Committee is to assist the Accounting Officer by ensuring that all operational and strategic risks are being successfully mitigated in terms of the Risk Management Framework.

Risk Owners need to quarterly submit risk mitigation reports indicating progress made with

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the mitigation of every identified risk within their department.

The Chairperson of the Committee needs to submit a comprehensive report to the Municipal Manager after every quarterly Committee meeting held.

4.8 Chief Risk Officer (CRO)

The primary responsibility of the CRO is to assist the municipality to embed and leverage the benefits of risk management in order to achieve its stated objectives.

This includes focusing on various enterprise-wide risk management programs and the overall efficiency of the ERM function. This is inclusive of the embedment of risk management practices and fostering a risk awareness culture within the institution.

4.9 Internal Audit

4.9.1 Internal Audit is administratively accountable to the accounting officer and functionally to the audit committee for providing independent assurance on the effectiveness of the municipality's system of risk management.

4.9.2 The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

5. RISK RESPONSE

5.1 Once understood, appropriate risk treatment can be determined. After risks are rated and tolerance levels established, it should be treated in any of the following ways:

- a. Risk avoidance.
- b. Risk reduction.
- c. Risk sharing.
- d. Risk acceptance.
- e. Risk transfer.

6. ASSURANCE PROVIDERS

6.1 All the risks and emerging risks which have been/are identified by the assurance providers must be incorporated in the risks registers of the municipality and risk mitigation strategies must be developed and implementation be monitored by management on a regular basis

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7. TRAINING

7.1 Risk Management Committee members should be properly trained on a regular interval to fulfil their roles and responsibilities.

7.2 All Councillors of the municipality should be trained on risk management in order to enable them to perform the oversight roles and responsibilities when it comes to the enterprise risk management processes.

7.3 Risk champions should attend trainings on a regular basis as part of their capacitation program.

8. PERFORMANCE MANAGEMENT

8.1 Enterprise Risk Management must be incorporated in the departmental scorecards in ensuring that it forms part of key performance indicators of senior management.

9. REVIEW AND APPROVAL OF POLICY

9.1 Risk Management policy shall be reviewed annually, and the reviewed policy must be presented to the municipal council for approval.

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Policy Drafted or Review by	MANAGER LEGAL, LABOUR RISK MANAGEMENT
Policy Implementing Department	OMM
Policy Mandated by	MUNICIPAL MANAGER
Signature of Mandating Official	
Approved by COUNCIL	26 JUNE 2025
Date Adopted by COUNCIL	26 JUNE 2025
Date of Next Review	1 YEAR
Reviewed Yes/No	