

MANDENI MUNICIPALITY



ENTERPRISE RISK MANAGEMENT STRATEGY

2025/2026

Table of Contents

1. Introduction	3
2. Purpose.....	3
3. Benefits of ERM Framework	4
4. Legislative Framework.....	6
5. Other Legislation.....	7
6. Guidance & standards to Risk Management.....	7
6.1 King iv report on corporate governance, 2016.....	7
6.2 International Organization for standardization, ISO 31000	8
6.3 Local Government Risk Management Framework.....	8
7. Risk Management Framework	9
8. Risk Management Oversight Structure	10
9. Accountability, Roles & Responsibilities.....	11
10. Risk Management Process.....	15
10.1 Risk identification	15
10.2 Risk assessment	16
10.3 Risk Response	19
10.4 Communicating & Reporting.....	21
11. Integration of Risk Management Plans/Policies	21
12. Combined Assurance.....	22
13. Business Continuity	22
14. Ethics.....	22
15. Review of Risk Management	23

1. Introduction

- 1.1 Mandeni Municipality (the Municipality) has undertaken to embed a culture of Enterprise Risk Management (ERM) within the Municipality and to identify, assess, manage, monitor and report risks in order to achieve the objectives of the Municipality, as identified in the Municipality's Integrated Development Plan (IDP).

ERM is the application of risk management throughout the Municipality. ERM recognizes that risks (including opportunities) are dynamic, often highly interdependent and not to be managed in isolation.

ERM responds to this challenge by providing a methodology for managing municipality-wide risks in a comprehensive and integrated way.

2. Purpose

- 2.1 The purpose of Risk Management Strategy is to outline a high-level plan on how the municipality will implement its risk management policy. The risk management policy is designed to safeguard the achievement of the municipality's objectives through the effective control of risks, which threaten their achievement and taking advantage of the opportunities that may arise.

- 2.2 In addition, the Risk Management objective is to assist the municipality:

2.2.1 To avoid certain adverse outcomes through taking proactive steps.

2.2.2 To ensure that opportunities are identified and exploited.

2.2.3 To cope when actual incidents occur.

- 2.2.4 To identify and respond to changing social, environmental and legislative requirements.
- 2.2.5 To align risk appetite and strategy.
- 2.2.6 To enhance risk response decisions.
- 2.2.7 To reduce operational surprises and losses.
- 2.2.8 To prevent injury, damage and loss to stakeholders and employees or their property.
- 2.2.9 To integrate risk management into the organizational culture of the municipality
- 2.2.10 To support staff in their efforts to manage the risks to which they are exposed.
- 2.2.11 To ensure compliance with the King (IV) Code of Corporate Governance.

3. Benefits of the ERM Framework

The benefits of the Enterprise Risk Management Framework in Mandeni Local Municipality are as follows:

- 3.1. Aligning risk appetite and strategy – Mandeni Local Municipality Management considers their risk appetite in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks.
- 3.2. Pursuing institutional objectives through transparent identification and management of acceptable risk – There is a direct relationship between objectives, which are what an entity strives to achieve and the ERM

components, which represent what is needed to achieve the objectives.

- 3.3. Providing an ability to prioritise the risk management activity – Risk quantification techniques assist management in prioritising risks to ensure that resources and capital are focused on high priority risks faced by the municipality.
- 3.4. Enhancing risk response decisions – ERM provides the rigor for management to identify and select among alternative risk responses – risk avoidance, reduction, sharing, and acceptance.
- 3.5. Reducing operational surprises and losses – Mandeni Local Municipality gains enhanced capability to identify potential events and establish responses, reducing surprises and associated costs or losses.
- 3.6. Identifying and managing multiple and cross-enterprise risks – Mandeni Local Municipality faces a myriad of risks affecting different parts of the entity and ERM facilitates effective response to the interrelated impacts and integrated responses to multiple risks.
- 3.7. Seizing opportunities – By considering a full range of potential events, management is positioned to identify and proactively realize opportunities.
- 3.8. Improving deployment of capital – Obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation.
- 3.9. Ensuring compliance with laws and regulations – ERM helps ensure effective reporting and compliance with laws and regulations and helps avoid damage to the municipality's reputation and associated consequences.

- 3.10. Increasing probability of achieving objectives – ERM assists management in achieving Mandeni Local Municipality's performance and profitability targets and prevents loss of resources. Controls and risk interventions will be chosen on the basis that they increase the likelihood that the municipality will fulfill its intentions to stakeholders

4. Legislative Framework

- 4.1. The Local Government: Municipal Finance Management Act, No 56 of 2003 (herein referred to as the MFMA) stipulates the following:

Section 62(1)(c)(i) requires that the Accounting Officer ensures that the municipality has and maintains effective, efficient and transparent systems of risk management.

- 4.1.1 The extension of general responsibilities in terms of Section 78, to all senior managers and other officials of municipalities implies that responsibility for risk management vests at all levels of management and that it is not limited to only the Accounting Officer and Internal Audit.

- 4.1.2 Section 20(1)(iv), (v) and (vi) empowers the Minister of Finance to prescribe uniform norms and standards in terms of the MFMA.

- 4.1.3 Section 165 requires that each municipality must have an Internal Audit unit, which must prepare risk-based audit plans. Internal Audit should advise the Accounting Officer and report to the Audit

4.1.4 Committee on the implementation of the Internal Audit plan on matters including that of risk and risk management.

4.1.5 Section 166 states that an Audit Committee is an independent advisory body which must advise Council, the political office-bearers, the Accounting Officer and the management staff of the municipality on matters relating to risk management.

4.1.6 Section 112(1)(m) states that the municipality must apply measures for combating fraud, corruption, favouritism and unfair and irregular practices in municipal supply chain management.

5. OTHER LEGISLATION

Risk management is contained in various other pieces of legislation and the Municipality needs to take cognizance of these requirements when addressing the risk exposures of the Municipality. These would include inter alia -

- the Occupational Health and Safety Act (1993),
- Disaster Management Act (2002),
- Prevention of Fraud and Corruption Act, etc.

6. GUIDANCE AND STANDARDS RELEVANT TO RISK MANAGEMENT

Relevant standards and guidance relating to risk management were considered. These are not prescriptive and are referred to for guidance purposes.

6.1 KING IV REPORT ON CORPORATE GOVERNANCE, 2016

The King IV Report on Corporate Governance for South Africa, 2016 (herein referred to as “King IV Report”) sets out the philosophy, principles, practices and outcomes which serve as the benchmark for corporate governance in South Africa.

6.2 INTERNATIONAL ORGANISATION FOR STANDARDISATION: ISO 31000

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

6.3 THE LOCAL GOVERNMENT RISK MANAGEMENT FRAMEWORK

The Local Government Risk Management Framework has been developed by National Treasury in response to the requirements of the MFMA for municipalities to implement and maintain effective, efficient and transparent systems of risk management and control. The Framework devolves from the Public Sector Risk Management Framework. It has been customised to be local government centric with inputs drawn from applicable legislation, the Public Sector Risk Management Framework itself, as well as various local and international risk standards, guidelines and governance codes.

7. RISK MANAGEMENT FRAMEWORK

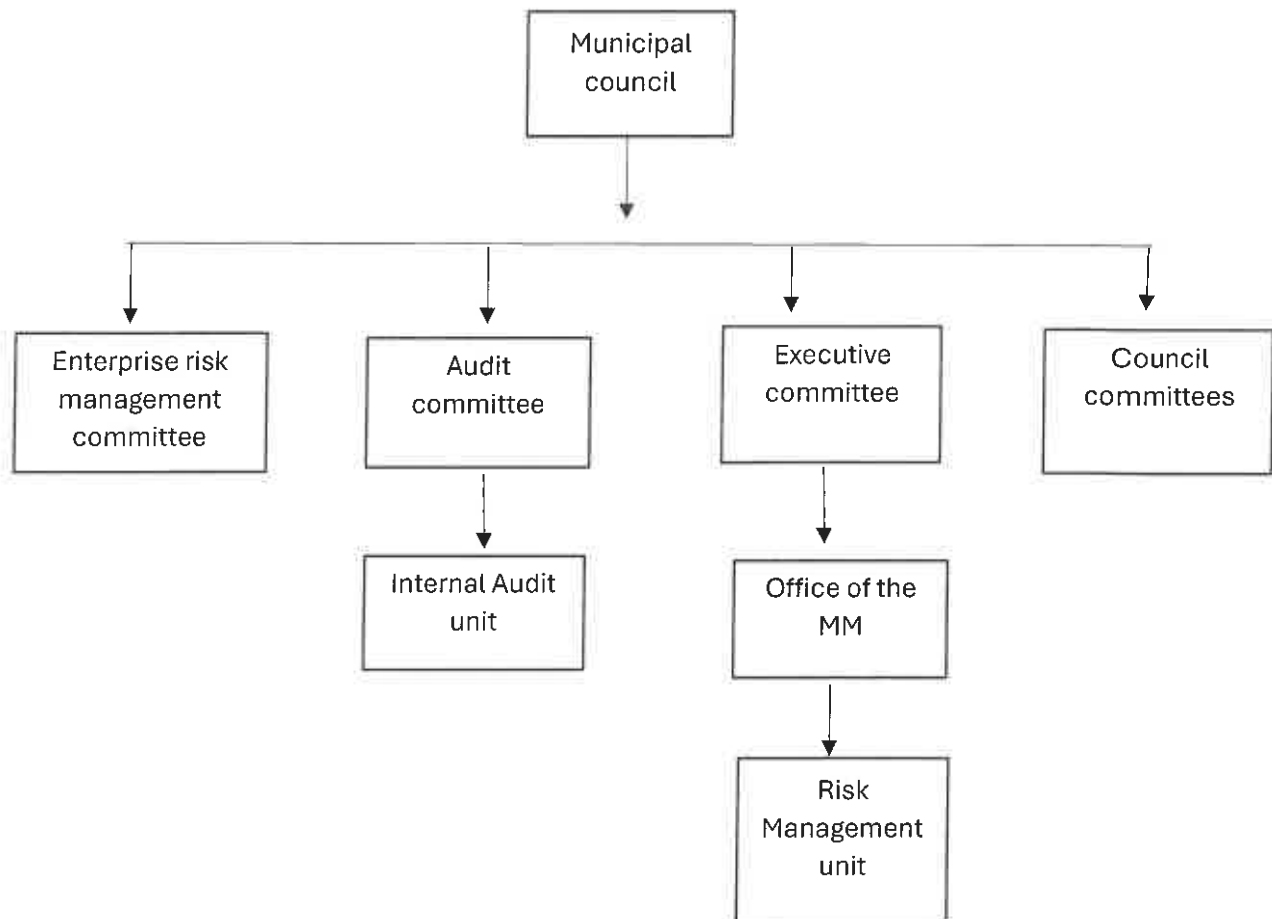
In carrying out Enterprise Risk Management the municipality adopts the Public Sector Enterprise Risk Management Framework. This framework provides a structured approach to identifying and managing risk within preset risk appetite and tolerance levels. The key components of the framework are depicted in the diagram below and brief explanation of each is provided.



The Enterprise Risk Management Framework ensures that key risks are identified, measured and managed. The Enterprise Risk Management Framework provides management with proven risk management tools that support their decision-making responsibilities and processes, together with managing risks (threats and opportunities), which impact on the objectives and key value drivers.

ERM is everyone's responsibility and must be embedded into the everyday activities of the municipality. This implies that ERM must be part of every decision that is made, every objective that is set and every process that is designed.

8. RISK MANAGEMENT OVERSIGHT STRUCTURE



9. ACCOUNTABILITY, ROLE & RESPONSIBILITIES

To derive optimal benefits, risk management ought to be conducted in a systematic manner, using proven methodologies and techniques.

9.1 MUNICIPAL COUNCIL

The Executive authority has an oversight role over the institution's portfolio view of risk and considers it against the risk tolerance of a municipality. The Council shall obtain assurance that key risks inherent in the Institution's strategies were identified and assessed and are being properly managed.

Council of a municipality or municipal entity shall also:

- 9.1.1 assist the Accounting Officer to deal with fiscal,

intergovernmental, political and other risks beyond their direct control and influence.

9.1.2 approve the risk management policy, strategy and implementation plan; and

9.1.3 approve the fraud prevention policy, strategy and implementation plan.

9.2 COUNCIL COMMITTEES

The council committees have an oversight role over departmental implementation of risk management activities in the risk management implementation plan. The council committees can provide oversight during their respective departmental portfolio meetings. The council committees provide assurance to council that all risk management activities are implemented by departments.

9.3 EXECUTIVE COMMITTEE

The Executive Committee is accountable to the council in terms of the achievement of the goals and objectives of the Institution. The Executive Committee should take an interest in risk management.

to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the Institution against significant risks.

As risk management is an important tool to support the achievement of this goal, it is important that the

Executive Committee should provide leadership to governance and risk management.

9.4 INTERNAL AUDIT

Internal Audit is administratively accountable to the accounting officer and functionally to the Audit and Performance Audit Committee for providing independent assurance on the effectiveness of the municipality's system of risk management. Internal Auditing may perform advisory and consulting engagements on risk management in line with the International Standards of Professional Practice in Internal Auditing.

9.5 ACCOUNTING OFFICER/ MUNICIPAL MANAGER

In terms of the MFMA, the accounting officer is ultimately responsible for risk management within the municipality. The accounting officer is accountable to the Council regarding the effectiveness of the risk management process.

The Accounting Officer shall be responsible developing the systems, policies and procedures to ensure that the municipality operates in conducive control environment where overall attitude, awareness and actions of the municipal officials and management regarding internal control and their importance to the municipality is at par with the vision, values, and culture of the municipality.

9.6 AUDIT & PERFORMANCE AUDIT COMMITTEE

The responsibilities of the Audit and Performance Audit Committee towards the risk management shall be formally described in its charter. The Audit and Performance Audit Committee is responsible for oversight on the municipality's control, governance and risk management. The committee shall provide an independent and objective view on the effectiveness of risk management to the accounting officer and the municipal council.

9.7 MANAGER: LEGAL, RISK & LABOUR RELATIONS

The Manager: Legal, Risk & Labour Relations shall be accountable to the Municipal Manager. The manager: Legal, Risk & Labour Relations is tasked with the overall efficiency of enterprise risk management working with the senior management to ensure a risk aware culture and that the risk management practices are embedded in the municipality.

The following are the responsibilities of the Manager: Legal, Risk & Labour Relations:

- 9.6.1 Assists the Audit / Risk Committee to fulfill its responsibilities in terms of its charter;
- 9.6.2 Communicates with the Audit / Risk Committee regarding the status of enterprise wide risk management;

- 9.6.3 Takes overall responsibility for the common risk framework and coordinates the risk management activities across the Municipality;
- 9.6.4 Proposes on a methodology and framework for ERM for approval by the Council and Municipal Manager;
- 9.6.5 Undertakes a gap analysis of the Municipality's ERM process;
- 9.6.6 Performs reviews of the risk management process to improve the existing process;
- 9.6.7 Facilitates risk assessments for all major changes and incidents, such as accidents, purchases of capital equipment, restructuring of operational processes etc.;
- 9.6.8 Develops systems to facilitate risk monitoring and risk improvement;
- 9.6.9 Ensures that all risk categories are included in the assessment
- 9.6.10 Ensures that key risk indicators are included in the risk register;
- 9.6.11 Aligns the risk identification process with the Municipality's strategic objectives and integrated development plan;
- 9.6.12 Agrees on a system of risk quantification;
- 9.6.13 Compiles a consolidated risk register on a quarterly basis

9.7 RISK & COMPLIANCE OFFICER

The Risk & Compliance Officer shall be accountable to the Manager: Legal, risk & Labour. The Risk & Compliance Officer is tasked with facilitating the implementation of enterprise risk management implementation plan. The responsibilities of Risk & Compliance Officer are as follows.

- 9.7.1 Facilitates risk assessments for all major changes and incidents, such as accidents, purchases of capital equipment, restructuring of operational processes etc.;
- 9.7.2 Compiles a consolidated risk register on a quarterly basis
- 9.7.3 Ensures that key risk indicators are included in the risk register;

9.7.4 Aligns the risk identification process with the Municipality's strategic objectives and integrated development plan;

9.7.5 Facilitates the identification of emerging risks, assisted by Risk Champions.

9.7.6 Coordinate the sitting of Enterprise Risk Management Committee meeting.

9.8 OTHER PERSONEL

Other officials are accountable to their management for implementing and monitoring the process of risk management and integrating it into day-to-day activities. The responsibility includes:

9.8.1 Application of risk management processes in their respective function

9.8.2 Inform supervisors of new risks and significant changes in the known risks

9.9 RISK CHAMPIONS

Risk champions act as a change agent in the risk management process and are distinguished from risk owners in that they assist the risk owners to resolve risk related problems. A risk champion should have a good understanding of the risk management concept, principles and processes.

9.10 MANAGEMENT

Management is accountable to the accounting officer for designing, implementing and monitoring risk management and integrating it to day to day activities.

Management is also responsible for empowering officials to perform effectively in their risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;

9.10.1 aligning the functional risk management methodologies and processes with the Institutional process;

- 9.10.2 devoting personal attention to overseeing the management of key risks within their area of responsibility;
- 9.10.3 maintaining a co-operative relationship with the Risk Management Unit and Risk Champion
- 9.10.4 providing risk management reports;
- 9.10.5 presenting to the Risk Management and Audit and Performance Audit Committees as requested;
- 9.10.6 maintaining the proper functioning of the control environment within their area of responsibility;
- 9.10.7 monitoring risk management within their area of responsibility
- 9.10.8 holding officials accountable for their specific risk management responsibilities.
- 9.10.9 Maintaining the functional risk profile within the Institution's risk tolerance (ability to tolerate) and appetite (risk that it is willing to take);
- 9.10.10 implementing the directives of the Accounting Officer concerning risk management;
- 9.10.11 prioritizing and ranking risks in their area of responsibility to focus responses and interventions on risks outside the Institution's tolerance levels;
- 9.10.12 benchmarking risk and risk mitigation activities;
- 9.10.13 assessing the effectiveness of risk management within area of responsibility; and
- 9.10.14 developing and implementing a fraud risk response plan.

The risk management reports submitted by Management to the Risk Management Committee include:

- 9.10.15 Non-compliance risks with key laws and regulations;

- 9.10.16 Fraud related risks;
- 9.10.17 Risks associated with the breakdown in key internal controls;
- 9.10.18 Review of business continuity and disaster recovery plans;
- 9.10.19 New risks that emerged during the reporting period; and
- 9.10.20 Significant changes in current risk or risks that materialized during the reporting period.

9.11 RISK MANAGEMENT COMMITTEE

Risk management committee shall be appointed by the accounting officer and its role is to formulate, promote and review ERM objectives, strategy and policy and monitor the process at strategic, management and operational levels. Some of the responsibilities of Risk Management Committee are as follows:

- 9.11.1 Ensuring risks are managed on a daily basis
- 9.11.2 Review and recommend for the Approval of the Accounting Officer the:
 - 9.11.3 risk management policy;
 - 9.11.4 risk management strategy; Risk management Implementation plan
 - 9.11.5 Institution's risk appetite
- 9.11.6 Evaluate the extent and effectiveness of integration of risk management within the Institution;
- 9.11.7 Assess implementation of the risk management policy and strategy (including plan);
- 9.11.8 Review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations.
- 9.11.9 Provide timely and useful reports to the Accounting Officer / Authority

10. RISK MANAGEMENT PROCESS

At least once a year a municipality shall undertake a thorough assessment of its risks levels using the following methodology.

10.1 EVENT IDENTIFICATION

The objective of event identification is to understand what is at risk within the context of the municipality's explicit and implicit objectives and to generate a comprehensive inventory of risks based on the threats and events that might prevent, degrade, delay or enhance the achievement of the objectives

The event identification process shall cover all risks, regardless of whether or not such risks are within the direct control of the municipality.

The following documents shall be reviewed during the event identification process:

10.1.1 The annual and oversight reports of the municipality

10.1.2 The Integrated Development Plan

10.1.3 Service delivery and implementation plan

10.1.4 The external and internal audit reports

10.1.5 Changes in the municipal related legislation

10.1.6 Assessments provided by the other stakeholders (Treasury, CoGTA and other stakeholder departments and entities)

The municipality shall identify strategic risks prior finalisation of the strategic choices to ensure that potential risk issues are factored into the decision-

making process for selecting the strategic options.

Operational risk identification shall seek to establish vulnerabilities introduced by employees, internal processes and systems contractors, regulatory authorities and external events.

10.2 RISK ASSESSMENT

At least once a year a municipality shall undertake a thorough assessment of its risks at all levels. Strategic risk assessments shall be performed during the municipality's strategic sessions and operational risk assessment shall be performed between February and April annually. The assessments will be conducted taking into account the previous AG reports, Internal Audit reports, IDP and incidents that occurred.

Once risks have been identified they need to be assessed in terms of their likelihood of the risk occurring and the potential impact on the municipality should the risk occur. Risk assessment shall involve interrogating risks at two levels, namely at the inherent risk level and the residual risk levels

Using the same rating criteria for each assessment. The risk assessment shall produce management's perspective of the effectiveness of the existing controls.

Inherent risk considers the likelihood and impact of the risk in the absence of any management control interventions. Residual risk is the level of risk remaining after the mitigating influence of the existing control interventions is considered. The residual risk shall be benchmarked with the municipality's risk appetite to determine the need for further management intervention.

Risks shall be assessed on both the qualitative and quantitative basis.

The rating criterion for both likelihood and impact shall be as follows:

10.2.1 IMPACT

Rating	Assessment	Definition
1	Insignificant	Negative outcomes or missed opportunities that are likely to have a negligible impact on the ability to meet objectives
2	Minor	Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives
3	Moderate	Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives
4	Major	Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives
5	Critical	Negative outcomes or missed opportunities that are of critical importance to the achievement of the objectives

10.2.2 LIKELIHOOD

Rating	Assessment	Definition
1	Rare	The risk is conceivable but is only likely to occur in extreme circumstances
2	Unlikely	The risk occurs infrequently and is unlikely to occur within the next 3 years

3	Moderate	There is an above average chance that the risk will occur atleast once in the next 3 years
4	Likely	The risk could easily occur, and is likely to occur at least once within the next 12 months
5	Common	The risk is already occurring, or is likely to occur more than once within the next 12 months

10.2.3 MANAGEMENT PERSPECTIVE OF THE EXISTANCE OF THE CURRENT CONTROLS

Current controls in place shall be assessed based on their design effectiveness and operational effectiveness.

The criterion for assessment of the current controls shall be as follows:

Effectiveness category	Category definition
Very good	Risk exposure is effectively controlled and managed
Good	Majority of risk exposure is effectively controlled and Managed
Satisfactory	There is room for some improvement
Weak	Some of the risk exposure appears to be controlled, but there are major deficiencies
Unsatisfactory	Control measures are ineffective

Based on the assessment of the current controls' management shall determine the suitable response strategy.

10.3 RISK RESPONSE

Management shall develop response strategies for all material risks, whether or not the management thereof is within the direct control of the municipality, prioritizing the risks exceeding or nearing the risk appetite level. All key risk

identified should be responded to however not all these risk will require treatment. The risks that fall outside of the municipality's risk tolerance levels are those which pose a significant potential impact on the ability of the institution to achieve set objectives and therefore require treatment. The management shall decide to accept the risk, mitigate the risk, transfer the risk, exploit the risk or avoid the risk altogether as indicated in the below diagram.



Once the Risk and Compliance Officer has assessed the risks and a level of risk rating has been assigned, an option for response is selected. There are four potential scenarios' that could lead to different response options:

Scenario's	Response Option
a) High likelihood and High Consequence	Avoid/Mitigate
b) High Likelihood and Low Consequence	Exploit/Mitigate
c) Low Likelihood and High Consequence	Transfer (e.g. Insurance)
d) Low Likelihood and Low Consequence	Accept

Consideration should be given to the cost of the response option as compared to the likely risk reduction that will result.

Risk owners nominated by executive management should assume responsibility for developing effective risk response plans. The risk owner can delegate responsibility (but not accountability) to his/her direct reports or consultants for detailed plan development and implementation.

10.3.1 CONTROL ACTIVITIES TO MITIGATE RISKS

Management is responsible for developing the internal control framework that ensures that the municipality's structure and systems support its policies, plans and objectives, and that it operates within laws and regulations. It should also ensure that policies and objectives are implemented in an efficient and effective manner.

All officials and council in the municipality have the responsibility for maintaining effective systems of internal controls, consistent with their delegated authority.

10.3.2 COMMUNICATION AND REPORTING

The Risk and Compliance Officer must continuously monitor the municipality's risk profile to ensure that the desired response strategy for a risk is implemented successfully. Relevant information, properly and timeously

communicated is essential to equip the relevant officials to identify, assess and respond to risks. The municipality's risk communication and reporting process should support enhanced decision making and accountability through dissemination of relevant, timely, accurate and complete information and communicating responsibilities and actions.

The following techniques shall be used to assist with monitoring:

- Identification and tracking of risk indicators that can act as an early warning system.
- Risk management shall be a standing item in management meetings whereby all management officials shall report progress on the implementation of risk mitigation measures
- Incident reporting to be made to both management and risk management committee for unacceptable losses
- Emerging risk reporting at both management and risk management committee meetings.

Reporting Requirements

The Audit and Performance Audit Committee shall provide council with its assessment of the effectiveness of management's systems on risk management.

The accounting officer shall report on a bi-annual basis to council on the process and system put in place to controlling risks to an acceptable level.

Each department through its head is required to submit the report to the accounting officer and to the risk management committee on a quarterly basis on new risks or opportunities emerging and how they will be managed. The report should include actions taken to mitigate risks that have been earlier identified and documented. The Risk and Compliance Officer will assist in the execution of the risk reporting process.

11 INTERGRATION OF RISK MANAGEMENT PLANS/POLICIES

There are many separate plans and policies available that individually deal with fraud, IT, occupational health and safety, disaster management and compliance. These plans and policies contain risk information and risk mitigation plans.

All the different risk information and mitigation plans should be integrated into a single risk register, to provide a detailed and complete profile of the Municipality's risks.

12. COMBINED ASSURANCE

Combined assurance will optimize and maximize the level of risk, governance and control oversight over the Municipality's risk landscape, by integrating, coordinating and aligning the risk management and assurance processes within the Municipality.

A Combined Assurance Model for the top 15 risks will be created and updated quarterly to ensure the Municipality's most significant risks receive adequate assurance.

13. BUSINESS CONTINUITY

Business continuity is an integral part of risk management. In the event of extended service outages caused by factors beyond the Municipality's control, the Municipality must be able to restore services to the widest extent possible in a minimum time frame.

14. ETHICS

Risk management, even when software is used, is performed by humans. The effectiveness of risk management activities is directly influenced by the ethical behavior of the people responsible for risk management, which includes their professionalism and commitment in executing their risk management

responsibilities.

A lack of ethics is a contributing factor to a variety of risks, either being the cause of the risk itself or the cause of ineffective control measures.

Therefore, risk management initiatives can only be successful in an environment of ethical behavior with adequate ethics risk management processes.

Municipality has a Code of Conduct and Code of Ethics for Municipal Staff in place to regulate the conduct and ethical behavior expected in the workplace.

15. Review of Risk Management Strategy

This strategy document shall be reviewed by the Risk Management Committee annually to reflect the current stance on risk management.

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	