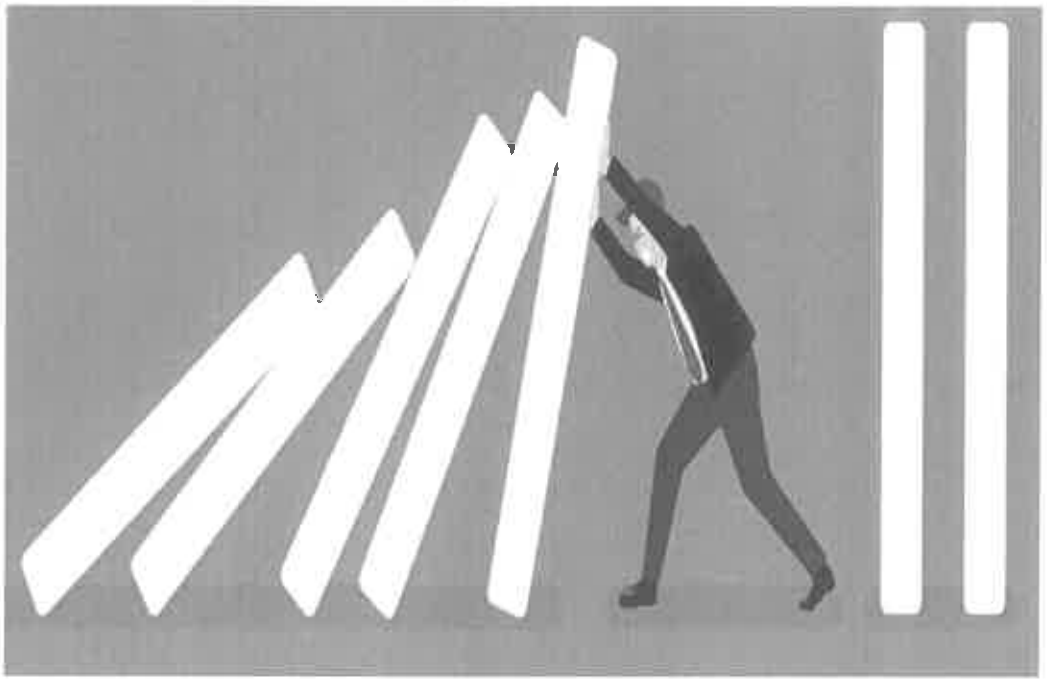
MANDENI MUNICIPALITY

RISK MANAGEMENT STRATEGY & IMPLEMENTATION PLAN

2025/2026 FINANCIAL YEAR




RISK
Management



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A. GLOSSARY OF TERMS

Council	Council of the Mandeni Local Municipality as established in terms of section 18 of the Local Government: Municipal Structures Act 117 of 1998
Municipality	Mandeni Local Municipality, a Category B municipality, was established under Section 155(6) of the Constitution of the Republic of South Africa, 1996, and further by and under the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), read with sections 3, 4, and 5 of the KwaZulu-Natal Determination of Types of Municipality Act, 2000 (Act No. 7 of 2000).
Executive Authority	The Municipal Council
Accounting Officer	Municipal Manager as defined in terms of the Local Government: Municipal Finance Management Act 56 of 2003
Chief Risk Officer	A senior official who is the head of risk management
Chief Audit Executive	A senior official within a municipality responsible for audit activities and overseeing the service contract and the overall quality of services provided by external service provider/s.
Risk Owner	A person accountable for managing a particular risk
Risk Champion	A person who by virtue of his/her expertise or authority champions a particular aspect of the risk management process, but who is not the risk owner.
AGSA	The Auditor- General of South Africa
Audit Committee	An independent committee established to review the effectiveness of controls, governance and risk management within the municipality, established in terms of Section 166 of Municipal Finance Management Act
Risk Management Committee	A committee appointed by the Municipal Manager to govern the municipality's system of risk management
Risk Management Unit	A business unit responsible for coordinating and supporting the overall municipal risk management process municipal risk management process but which does not assume the responsibilities of management for identifying, assessing and managing risks.
Framework	Local Governance Risk Management Framework

Combined Assurance	Integrating and optimising all assurance services and functions so that taken as a whole these enable an effective control environment, support the integrity of the information used for decision-making by management, the municipal council and its committees, to maximise risk and governance oversight and control efficiencies and optimise overall assurance to Risk Management Committee and Audit Committee within the municipality's risk appetite.

Governance	The act of directing, controlling and evaluating the culture policies, processes, laws and mechanisms that define the structure by which a municipality are directed and managed.
Enterprise Risk Management	An approach to risk management that involves an enterprise-wide view of all risk management related to processes, function and activities designed to identify potential events that may affect the municipality and its entities, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of its objectives.
Risk	an event with a negative impact, which can prevent the achievement of strategic organisational objectives;
Risk management	identification, analysis, and control of those internal and external risks that prevent the municipality from achieving its goals and objectives
Risk assessment	process of determining the probability, as well as the impact of each identified risk as a basis of determining how these risks should be managed
Risk register/risk profile	the risk register outlines the number of risks, type and potential effects of the risk. This outline will allow the municipality to anticipate disruptions to operations and additional costs. Also describes the willingness of the municipality to take risks and how those risks will affect the operational strategy of the municipality.
Strategic risk	Internal and external events and scenarios that can inhibit a municipality's ability to achieve its strategic objectives. This would typically include risks associated with governance, the business model and the industry/ economic environment
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This would typically include risks associated with business continuity; fraud; people; processes and systems.
External risk	Risks are related to requirements or forces imposed on a municipality from outside. The municipality cannot control the likelihood they will occur; it can only prepare for and respond to them. It includes legal/regulatory, natural hazard, economic, technological, social and demographic risks.
Risk response	set of actions – avoiding, accepting, reducing, or sharing risk – developed in order to mitigate the identified risks
Risk tolerance	Amount of risk the municipality is capable of bearing (as opposed to the amount of risk it is willing to accept/bear).
Inherent Risk	The exposure arising from risk factors in the absence of controls
Risk appetite	The amount and type of risk that a municipality is willing to take in order to meet their strategic objectives.

1 Introduction

The purpose of this risk management strategy document is to outline an overall approach to risk management that addresses the risks facing the municipality in achieving its mandate and service delivery objectives; and which will facilitate the effective recognition and management of key strategic risks. Risk management will be embedded within the daily operations of the municipality, from strategy and policy formulation through to planning, general management and operational processes. It will also be applied where the municipality works in partnership with other statute entities and/or private companies to ensure that partnership risks are identified and managed appropriately.

Mandeni Municipality Risk management will not focus upon risk avoidance, but on the identification and management of an acceptable level of risk. It is the municipality's aim to proactively identify, understand and manage the risks inherent in our services and associated with our plans, policies and strategies, so as to support responsible, informed risk taking and as a consequence, aim to improve service delivery objectives and value for money. The municipality will not support reckless risk taking.

2 PUPOSE OF THIS RISK MANAGEMENT STRATEGY

The purpose of this Risk Management Strategy is to achieve the following:

1. Provide guidance for the Council, Audit Committee, Municipal Manager through the Risk Management Committee, Council, Management and staff in overseeing and/or implementing the development of processes, systems and techniques which are appropriate to the context of Mandeni Municipality in the management of risks;
2. Provide a comprehensive approach to better integrate risk management into the day-to-day decision making of the municipality; and
3. Contribute to building a risk-conscious workforce and work environment.

Further, this risk management strategy seeks to assist Mandeni Municipality to achieve its risk management vision, mission and objectives as stated below.

3 Risk Management Strategic Framework

3.1 Vision

Create optimized and protected municipal value by managing business risks to be within its risk appetite and to provide reasonable assurance regarding the achievement of municipal objectives.

3.2 Mission

Create a comprehensive approach and enterprise-wide view to anticipate, identify, prioritize, manage and monitor risks impacting the municipality. The municipality will achieve this by putting in place policies, common processes, competencies, accountabilities, reporting and enabling technology to execute the approach successfully.

3.3 Risk Management Objectives

- To ensure alignment of the Enterprise Risk Management with municipal culture, governance, strategy and risk appetite.
- To provide a structured and coherent approach to identifying, assessing and managing risk. To identify multi/cross enterprise risks and facilitate effective municipal responses in order to reduce operational surprises and losses
- To assess and improve deployment of municipal resources
- To ensure effective municipal reporting and compliance with laws and regulations in order to avoid damage to the municipality's reputation and associated consequences

4 Risk Management Strategic Drivers

The following pillars summarise the principles that shall govern and drive the implementation of risk management in the municipality for this financial period:

(i) An Enterprise-wide risk management (ERM) approach
(ii) Risk Management Framework
(iii) Annual Risk Assessments
(iv) Risk Registers
(v) Risk Maturity Assessments
(vi) Continuous Risk Management Training and Awareness
(vii) Annual Risk Implementation Plan
(viii) Risk Action Plan
(ix) Risk Management Audit Improvement Plan

5 IMPLEMENTING AN ENTERPRISE-WIDE RISK MANAGEMENT (ERM) APPROACH

The Municipality recognizes that practicing good organisation governance is essential to achieving its mandate and service delivery objectives, and to that effect, proper risk management practices become key. The municipality shall adopt an enterprise-wide risk management (ERM) approach as informed by best practice guidelines and legislative frameworks like the Municipal Finance Management Act (MFMA) and National Treasury Guidelines. The implementation of ERM in the municipality shall be guided by the COSO Risk Management framework where it defines enterprise risk management as: *"Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in a strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."*

Enterprise risk management shall be implemented by developing and implementing a comprehensive risk management framework for the municipality. The following shall constitute the municipal risk management framework:

5.1 RISK MANAGEMENT FRAMEWORK

In enforcing this strategy, the municipality has developed a framework for risk management that includes policies and procedures that direct the organisation pertaining to risk management. The Municipality risk management framework consists of the following guiding documents:

(i) Risk Management Policy

(ii) Risk Management Strategy

(iii) Risk Appetite and Tolerance Statement.

(iv) Fraud Prevention Policy.

(v) Fraud Prevention Plan.

(vi) Risk Management Strategy and Implementation Plan.

(vii) Business Continuity Policy and Plan.

(viii) Strategic Risk Register.

(ix) Fraud Risk Register.

(x) Whistleblowing Policy

(xi) Operational Risk Registers.

6 ANNUAL RISK ASSESSMENTS

All risk registers shall be updated at least once annually to ensure alignment with the SDBIP, annual performance plan, political, economic and environmental factors prevalent in that particular financial period. The annual risk management workshops are conducted with or after the strategic planning meeting has been held by Council and municipal management. The annual risk workshops shall be scheduled between April and July every year; the Risk Management Committee and the Council members shall be invited to join and assist management in the process.

Risk Assessment shall be implemented as per methodology outlined in the risk management policy. The policy also allows for differing methodologies in case of specialized risk assessments as the municipality sees fit.

6.1 Risk Registers

The municipality shall maintain risk registers to document and outline the key (strategic) and Operational risks for every financial period. Risk Registers shall be the outcome of the annual risk assessment workshop. The following risk registers shall be key in the organisation:

(i) Strategic Risk Register.

(ii) Operational Risk Registers (Inclusive of every function/department/unit in the organisation).

(iii) Fraud and Ethics Risks which will be stand-alone and consists of a Fraud Risk Register.

7 Risk Management Maturity Assessment

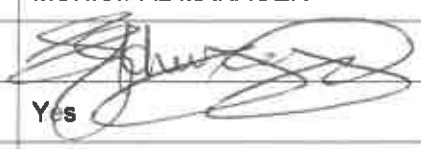
The National Treasury has designed a Financial Management Capability Maturity Model (FMCMM) assessment for use by municipalities. Mandeni Local Municipality shall conduct a maturity assessment for its risk management process once every two years to enable objective assessment of risk management processes internally. Such assessment shall be conducted by an independent and objective assurance provider like the Internal audit, external audit, National Treasury or an appointed service provider. From this assessment, the municipality shall draw up a maturity improvement plan and augment it into its annual risk management implementation plan.

8 Internal Audit Findings – Improvement Plan

The municipality shall, as part of its risk management strategy, implement a *risk management audit improvement plan* wherein all the audit findings relating to risk management shall be reported and resolved on a quarterly basis at the Risk Management Committee report. Such audit improvement plan shall be a section on the risk management report that is tabled at the Risk Management Committee, Audit Committee and Council, quarterly.

9 CONTINUOUS RISK MANAGEMENT TRAINING AND AWARENESS

To ensure an improved risk management process, the risk management function shall develop an annual training and awareness plan that is incorporated into the overall risk management implementation plan of the company. The risk management training and awareness plans shall be quantified and included in the annual budgeting needs of the organisation.

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	Yes
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