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Enterprise Risk Management in South African Municipalities within Legislative and Corporate Governance Frameworks

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Abstract – Risk may be described as the probability or possibility for negative consequences, such as damage, injury, loss, or any unfavorable occurrence arising from vulnerabilities, whether they originate within or outside. These dangers may be alleviated by preemptive steps implemented beforehand. Enterprise Risk Management (ERM) employs a comprehensive technique to effectively identify and assess risks. The primary objective of this approach is to support decision-making processes and improve the probability of successfully attaining strategic and analytical objectives. ERM has been widely endorsed by several assessors, regulators, and experts as a very beneficial strategy for enterprises. This article provides an analysis of the corporate and legislative governance structures that regulate Enterprise Risk Management in municipalities in South Africa. This study provides a scholarly investigation into the historical progression of ERM in the public sector, presenting a thorough examination of its adoption and execution within the governmental context of South Africa. In addition, this statement outlines the regulatory obligations and fundamental principles of effective corporate governance that regulate the arrangement, responsibilities, and obligations related to ERM. The report highlights the need of continuous feedback and improvement in risk management approaches.

Keywords – Enterprise Risk Management, Corporate Governance, Risk Management Approaches, Internal Business Environment, King Risk Management Criteria.

I. INTRODUCTION

Enterprise Risk Management (ERM) is a holistic and systematic approach that seeks to detect, assess, and proficiently manage the risks encountered by an organization. ERM is a strategic methodology towards the management of risks, including a holistic perspective of hazards across the whole business. Hence, this methodology may be classified as a "top-down" risk management framework that requires decision-making at the executive level. Within the framework of ERM, the assignment of responsibilities pertaining to risk management is not specifically designated to individual departments or business units. On the other hand, the company's leadership will assess teams from a comprehensive standpoint that spans the whole of the business and thereafter develop commensurate expectations. The risk management technique used by ERM is characterized by its differentiation from the traditional risk management methodology sometimes referred to as the "silo approach." In prior risk management models, the distribution of potential risks was delegated across many departments, with department heads assuming responsibility for addressing and executing risk response measures within their respective domains. The ERM framework encompasses a sequence of interrelated steps that are rooted in the corporate decision-making processes and protocols of top-level executives see **Table 1**.

The idea and management function of enterprise risk management became prominent inside organizations around the mid-1990s. The adoption of corporate methods in the public sector may be attributed to the New Public Management (NPM) movement. The field of ERM is a very nascent subject within the public sector, and in several instances, its implementation remains underdeveloped. As a result, there exists a notable dearth of scholarly material pertaining to the adoption of ERM practices inside local government entities, and the available advice on how to effectively apply such practices is restricted in scope. The objective of this article is to ascertain the corporate and legal governance structures that govern ERM in municipalities in South Africa.

Currently, there is a rapid expansion of ERM throughout diverse organizations across several nations. However, it has been observed that the financial industry exhibits a higher level of engagement in ERM as compared to other businesses.

Financial institutions were identified as early adopters of ERM by Sarferaz [9]. Numerous scholarly investigations have extensively examined the pivotal significance of financial institutions in fostering the economic advancement of nations. As a result, risk management has more significance for this particular sector in comparison to other businesses. The occurrence of issues inside financial institutions may have significant adverse effects on the whole economy. Pissarides [10] asserts that the failure of a single financial institution may have detrimental effects on the whole financial system of a nation, leading to system-wide collapse. This collapse can later spread to other sectors, impact the macroeconomy, and have global ramifications, as seen by the financial crisis of 2008. Therefore, ERM has emerged as a prominent field of study within the financial sector.

Table 1. Interrelated Steps In ERM

Steps	Literature	Explanation
Objective Setting	Greenbank [1]	Before deciding whether or not to take a risk, businesses should weigh the potential impact on their long-term goals. The first thing management does is work with the board of directors to establish the organization's mission and key performance indicators. This ensures that the goals you've set are consistent with the level of risk you're willing to take.
Risk Assessment	Torabi, Giahi, and Sahebjamnia [2]	The ERM procedure begins with the advancement of a risk assessment. Discovery, evaluation, and prioritization of risks are all part of the aforementioned technique, which is systematic and sequential. The approach also includes an analysis of the security measures already in place and an assessment of the likelihood and severity of each danger.
Risk Response	Bui and De Villiers [3]	After identifying the various risks that may impact your firm, it is necessary to ensure that the actions implemented are in line with your goals. Individuals have the option to choose a certain course of action in order to mitigate, embrace, minimize, or distribute the impact of big risks. It is important to adequately record the procedures for risk mitigation, which include the measures that will be implemented to effectively manage each identified risk.
Internal Business Environment	Le and Mohamed [4]	The organizational culture and code of conduct inside a corporation may significantly impact the manner in which its personnel navigate and address hazards. The effective use of management talents by organizational leaders will cultivate a culture that is conscious of risks and ensures that crucial risks are never disregarded.
Event Identification	Donnell [5]	Once the risk tolerance and risk appetite have been established, it is important to assess any prospective events that may impede the success of the organization`s goals and business objectives. Regardless of their origin, all occurrences must be categorized as either opportunities or hazards, and then linked with the main corporate plan.
Control Activities	Mueller and Thomas [6]	The establishment of strong controls, such as rules, procedures, roles, responsibilities, and other mechanisms for oversight, is necessary for the successful implementation of risk response and event detection processes.
Information and Communication	Keil et al [7]	Enhancing employee training and education around hazards may broaden understanding beyond the purview of leadership and compliance teams. The active engagement of workers in this process will facilitate their ability to make informed choices aimed at mitigating the organization's risk exposure.
Monitoring	Alles, Brennan, Kogan, and Vasarhelyi [8]	ERM need constant monitoring in order to effectively navigate the ever-changing risk environment. This monitoring is achieved via a combination of internal audits, external audits, and continuing management actions.

Although ERM has gained significant traction in the commercial sector, there exists a dearth of scholarly work that specifically examines its implementation within local government contexts. The primary objective of this article is to address the existing knowledge gap by defining the frameworks that regulate ERM in municipalities in South Africa. This study also aspires to serve as a set of recommendations for the effective deployment of ERM in these local governments. The rest of the article has been organized as follows: Section II presents an overview of the enterprise risk management concept, which involves the definition of "risk", guidance issued by COSO, and responsibilities of constitutional government. Section III discusses the ERM oversight committee and the obligation of local governments. Section IV discusses the various frameworks for risk management and corporate government. Lastly, Section V presents conclusions to the research on the ERM in South African municipalities.

II. OVERVIEW OF ENTERPRISE RISK MANAGEMENT

Definition Of Risk

The term 'risk' is frequently employed in everyday language, encompassing a wide range of topics including personal factors such as adventurous pursuits, investments, and health, societal factors such as military food security and economic conditions, as well as organizational factors such as corporate governance, strategy, and business continuity. According to Huang [11], the process of defining risk is a hard task. In fact, the Society for Risk Analysis has identified a total of 13 different definitions of risk in the year 1981. Boholm [12] asserts that due to the contextual nature of risk, it is not feasible for a single definition to include all potential interpretations of the concept.

There are several hazards that may be categorized into distinct sorts based on the extent to which their occurrence will affect the operations of a business and its surrounding environment. Risk may be categorized into classes identified in **Table 2.**

Table 2. Categories Of Risks

Identified Risk	Literature	Explanation
Strategic risk	Ojiako [13]	Plays a role in how company plans are implemented
Operations risk	Kumar, Kwong, and Misra [14]	Has an effect on the organization's ability to produce and distribute its own goods or services.
Supply risk	Towill [15]	Negatively affects the availability of any resource necessary for action
Customer risk	Chun and Tang [16]	The likelihood of a purchase is affected by factors including product obsolescence and product/market risk.
Asset impairment risk	Chan, Greenbaum, and Thakor [17]	Decreases an asset's use and may result from a drop in earnings potential
Competitive risk	Jalal-Karim [18]	Affects the degree to which a firm can differentiate itself from its rivals
Reputation risk	Fiordelisi, Soana, and Schwizer [19]	Reduces the worth of an organization as a whole when trust is lost.
Financial risk	Zahra [20]	Risks financial loss due to fluctuations in the market or the default of individual borrowers.
Fiscal risk	Atkinson and Stiglitz [21]	Results from tax reforms
Regulatory risk	Leisen, Steffen, and Weber [22]	Business-impacting regulatory changes, such as those in environmental law, are revealed.
Legal risk	Virglerová, Conte, Amoah, and Massaro [23]	Threatens the company with legal action from clients, vendors, investors, or workers.

Guidance Provided By The COSO

The guidance provided by the COSO Enterprise Risk Management cube 2004

The COSO ERM cube was the first formal framework for assessing and bettering existing risk management and internal control procedures see **Fig 1**. The cube essentially represents the fundamental strategic goals of the organization on its upper surface, and establishes connections between these objectives and eight categories on its front face, which symbolize crucial elements of an ERM strategy. It also establishes the incorporation of ERM inside an organization's culture and its integration across all company operations.

The organizational culture is shaped by the internal environment, which in turn affects the organization's stance on risk management, risk appetite, and ethical beliefs. The guideline takes into account the influence of the external stakeholders, legislation, and competitive environment on risk culture and appetite. The purpose of objective setting is to establish the fundamental strategy of the firm and to guarantee that this plan is effectively communicated across the whole firm. The company should thereafter endeavor to identify both external and internal risks that may impede the successful implementation of its primary objectives. The assessment of risks necessitates an evaluation of both their potential effect and their probability.

Subsequently, senior management is required to formulate a course of action in response to a risk occurrence, taking into consideration their predetermined level of risk acceptance and capacity. Control actions are specifically formulated to guarantee the effectiveness of risk responses. It is important to ensure that relevant information is communicated to top management, while also maintaining a comprehensive monitoring system in place. In the event that adjustments are deemed required, the process should be duly updated.

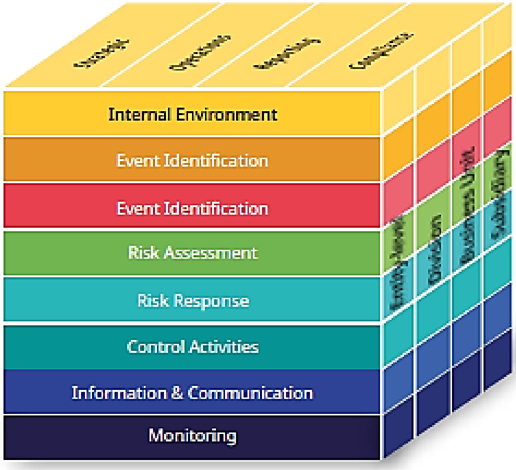

Fig1. The COSO Enterprise Risk Management Framework, Cube, 2004

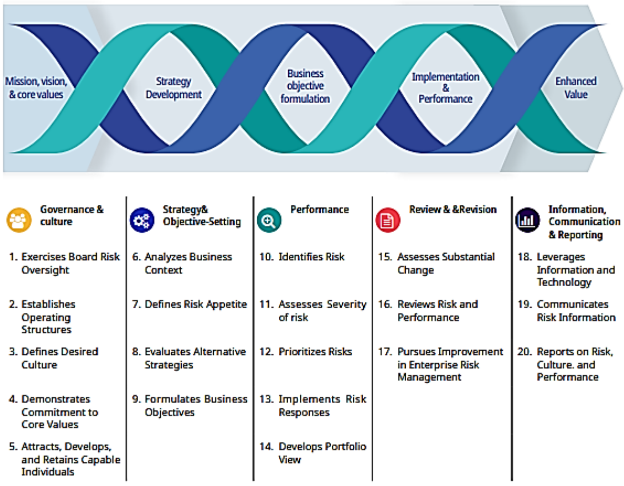

Fig 2. 2017 COSO Enterprise Risk Management Double Helix

The COSO 2017 framework's recommendations

The COSO ERM cube is widely recognized as the first visual representation of the interconnectedness inherent in an enterprise-oriented approach to risk management. Furthermore, it should be noted that this framework served as the foundation for the revised 2017 framework developed by COSO as seen in **Fig 2**. Notably, this updated framework places increased focus on the performance strategy and integration, specifically in terms of productivity. The purpose of this measure is to guarantee that the alignment between strategy and core values, as well as the strategic mission, is not compromised. In the event of such misalignment, it is crucial to have enough internal information and feedback mechanisms in place to facilitate a reset. The 2017 advice also focuses more emphasis on the concepts of risk appetite and tolerance. According to Al-Mashari, Al-Mudimigh, and Zairi [24], if the ERM process leads to a need for modifying the core strategy, each subsequent strategy will possess a distinct risk profile. This highlights the importance of continual feedback within an ongoing process.

The COSO 2017 ERM double helix framework has four primary components. These components begin with the establishment of core values, vision, and purpose. Subsequently, strategy development ensues, followed by the formulation of goals. Finally, the implementation phase is executed. The ultimate aim of this framework is to increase the overall value of the organization. Beneath these fundamental components lie five overarching principles: Culture and Governance, Objective-setting and Strategy, Communication, Performance, Revision and Review, and Information, and Reporting. The objectives of culture and governance are to cultivate the overarching attitude of senior management towards ERM, foster a cohesive culture, encourage desirable behaviors, and imbue ethical principles.

Responsibilities of Constitutional Government

South Africa's government is a constitutional democracy with separate legislative, executive, and judicial departments. South Africa's governing document, from 1996, or simply the Constitution, sets up separate spheres of authority at the provincial, national, and municipal government levels. Chapter 3 of the Constitution delineates the three sectors as possessing unique characteristics, while also emphasizing their interconnectedness and interdependence [25]. Furthermore, it mandates these spheres to engage in collaborative efforts characterized by sincerity and mutual trust. Municipal government, as an essential element of the democratic state, operates as an independent entity and is not subordinate to the national government. It possesses executive and legislative powers within its own jurisdiction. The local government structure in South Africa is organized into three tiers: metropolitan, district, and local municipalities.

These metropolitan areas are further classified into three categories by the South African government website: Eight of the metropolitan municipalities fall into Group A, while 226 local municipalities and 44 district municipalities make up Group B and Group C, respectively.

Sustainable provision of necessary services to local communities is secondary to providing a democratic and transparent form of governance to such communities. Constitution Sections 154, 153, and 152 state that the primary reason of local government is to "foster the active community organizations and participation of communities in issues pertaining to local governance" and "to provide a secure and conducive environment" for the advancement of social and economic progress. The Constitution specifically recognizes this diversity in municipal capacities in Article 152. Therefore, a provision is included in to accommodate this variety of approach to problem solving. A municipality is required to make these goals its priority, taking into account its resources and organizational structure. The Constitution's Section 195 contains several measures for efficient governmental administration. Principles that encourage the effective, efficient, and economical usage of resources are emphasized. The Constitution requires the creation of enabling legislation to regulate local governments, and these laws must set standards for effective administration and good governance across all levels of government. Risk management rules are included in the local government legal framework to ensure that the Constitution's objectives are met.

Enterprise Risk Management Laws and Regulations

The fundamental goal of Act 56 of 2003 is to guarantee that municipalities and other organizations within the local sphere of government effectively and sustainably manage their financial affairs. The legislation also seeks to set norms and standards for municipal financial administration, particularly in regards to treasury duties. In addition, it includes rules for things that are integral to achieving these goals.

Risk management is only mentioned once in municipal legislation, under Section 62 of the Municipal Finance Management Act (MFMA), requiring the Accounting Officer (AO) to take appropriate measures to guarantee the efficient, effective, and economical use of the municipality's resources. To that end, it is the Accounting Officer's (AO) job to guard the credibility of all city accounts. The AO is responsible for establishing and maintaining a system of risk, financial and internal control management that is transparent, efficient, and effective. The following duties are within the purview of the internal audit unit established in accordance with Section 165 of the MFMA: An internal and annual risk-based audit plans should be developed. Implementation of risk management, internal auditing, accounting, internal controls, and risk b. Provide counsel to the chief financial officer and feed back to the audit committee.

According to Section 166 of the MFMA, a municipality must establish an audit committee. This committee serves as an independent advisory body and is responsible for giving advice to the AO, leaders in the political system, and the municipal council, and the municipality's management on various matters, including risk management. Section 20 of the Municipal Finance Management Act (MFMA) confers authority upon the Minister of Finance to establish standardized rules for the purpose of facilitating the efficient execution of the MFMA. In January of 2018, the South Africa's Central Bank (henceforth referred to as Treasury) released a new Methodology for Managing Risk in Local Government.

III. ENTERPRISE RISK MANAGEMENT OVERSIGHT COMMITTEE AND ROLES IN LOCAL GOVERNMENT

The responsibilities associated with ERM in the context of local government are bifurcated into two main areas: supervision to assure its efficacy, and the execution and maintenance of its application in the daily operations.

Enterprise Risk Management Oversight Committee

The audit committee

The directors body, together with its audit committee, assumes a pivotal role in ERM by creating a conducive climate or setting the appropriate tone at the highest level of the organization. This facilitates the adoption of ERM by senior executives and other stakeholders throughout the company. The board of directors has the crucial responsibility of defending the interests of shareholders. In this capacity, the board plays a crucial function in reviewing management's implementation of ERM. This includes evaluating and determining the firm`s risk appetite. In the absence of board supervision, the adoption of ERM may not be endorsed by senior management, thereby leading to the management of risks within tolerances that align with management's preferences rather than those of important stakeholders.

According to local government regulations, the audit committee has the exclusive responsibility for overseeing risk management. The updated Treasury Internal Audit Framework emphasizes the significance of risk management in ensuring effective corporate governance. While risk management ultimately rests with management, the audit committee is supposed to serve in a supervisory capacity and provide direction in this area. The audit committee must evaluate the extent to which management has adopted a comprehensive risk management structure. To what degree have strategic risk management plans been developed using a systematic and effective approach is the topic at hand. Organizational risk management's impact on the status quo of controls. The fraud prevention strategy of the firm is to ensure that the firm has implemented suitable procedures and systems to detect, oversee, and thoroughly investigate instances of fraudulent behavior.

In light of the significant responsibilities now entrusted to audit committees, committee members are actively evaluating the need for process improvements in order to effectively fulfill the growing expectations surrounding audit committee monitoring of risk management endeavors. The individuals are actively searching for optimal methodologies and educational opportunities to assist them in recognizing their responsibilities in supervising the risk processes implemented by management. This includes their assessment and endorsement of crucial risk policies, risk authorities, and risk tolerances.

Risk management committee

A Risk Management Committee may be described as a committee that is designated by the AO to evaluate the Institution`s system for managing risks. The composition of the Risk Management Committee should consist of individuals from both external and management sources who possess the appropriate combination of attributes, competencies, and skills. These critical aspects include: (1) a comprehensive comprehension of the Institution's operations and mandate; (2) the capacity to act autonomously and impartially in the Institution's best interest; and (3) a deep understanding of Principles of Risk Management and their practical implementation.

The appointment of an impartial external individual by the Accounting Officer/Authority is recommended for the position of chairman of the Risk Management Committee. The delineation of the duties and obligations of the Risk Management Committee need to be explicitly outlined in a charter that has received official approval from the Accounting

Officer or relevant governing body. The assignment of risk management committee functions to the audit committee may be carried out by the accounting officer or authority. It is essential to exercise caution in order to guarantee the availability of resources for the Audit Committee, enabling them to effectively address risk governance issues alongside their audit duties.

Roles in the Local Government

The role of the Accounting Officer

Reference guidelines on risk management and management accounting have been produced by international organizations such as the Institute of Management Accountants (IMA). According to Goretzki, Strauß, and Weber [26], management accountants have specific expertise and training in quantifying, documenting, and evaluating the financial and nonfinancial consequences of managerial choices. This unique skill set positions them to assume a leading role in the establishment of ERM systems. According to Rasmussen [27], risk management and its associated controls are integral components of the core competencies possessed by management accountants. These competencies enable management accountants to effectively carry out their responsibilities, shown in **Table 3**.

Table 3. Roles of an accounting officer in risk management

1	Promote the shift from departmentalized risk management to enterprise risk management
2	Take the lead in promoting ERM and helping to put an end to siloed approaches to risk management
3	Inform others on how to structure the ERM procedure
4	Educate operational management about the ERM approach and structure used by the company
5	Contribute to the analysis and quantification of the organization's risk appetite and the risk tolerances of specific units by working with senior and operational management.
6	Facilitate the incorporation of ERM into the accounting process
7	Help operational management spot potential dangers by providing relevant data
8	Conduct benchmarking analyses for use in risk assessment
9	Collect information about ERM best practices
10	Aid in assigning numerical values to the severity and probability of each danger shown on risk maps

The role of internal auditor

The practice of internal auditing is characterized by its independence and objectivity, serving as a means of providing assurance and advisory services. ERM's main purpose is to provide council and management unbiased confidence that their risk-management procedures are working. The purpose of internal auditing is to reassure the Audit Officer and the audit committee that risk management is adequate and effective. The responsibilities associated with the role of IA (internal auditor) in the context of risk management have been shown in **Table 4**.

Table 4. Overview Of the Responsibilities of AI In the Management of Risks

1	Examining the institution's created values, policy of risk management, risk reporting lines, strategy, and prevention plan of fraud.
2	Analysis of the municipality's risk profile to determine whether current risk tolerance levels are reasonable.
3	Guaranteeing the integrity of the control environment, data and communication networks, and surveillance setup.
4	Assuring that the institution has adequate systems in place for identifying and assessing risks, as well as internal controls that work to minimize such risks.
5	Planning for future and present internal audits using the findings of the risk assessment

In conjunction with the mandated obligations pertaining to risk management and sound governance in South African municipal administration, it is essential to acknowledge the presence of other significant frameworks and principles that pertain to Management of Corporations and the implementation of efficient enterprise risk management. These supplementary guidelines and frameworks need careful consideration.

IV. FRAMEWORKS FOR RISK MANAGEMENT AND CORPORATE GOVERNANCE

While not formally mandated by legislation, the significance of frameworks for management of Corporations codes and risk management should not be overlooked. A transition from a prescriptive to a principle-based framework in governance has occurred in South Africa, mirroring a worldwide trend shown by the UK Management of Corporations Code 2018 and ISO 37000. According to the aforementioned codes, such as King IV, the 2016 Corporate Governance Report from the Institute of Directors in South Africa, good governance is predicated on strong leadership and the implementation of sound principles rather than a blind adherence to regulations.

Standard 31000:2018 of the Standardization Group International

The South African Bureau of Standards (SABS) functions based on the rules and regulations of the Standards Act, 2008 (No. 8 of 2008) as the primary agency responsible for national standardization in South Africa [28]. The SABS has incorporated the common ISO guidelines for managing of risks, namely ISO 31000:2018, into the national framework as the SANS. This standard has been reissued as SANS 31000:2019. The ISO has released a number of standards pertaining to risk management, which serve as guiding principles for the practice of risk management. For instance, ISO 73:2009 provides a foundational vocabulary for establishing a common language for discussing risk management. This benchmark applies to various business types as well as organizational structures. The ISO is a non-governmental firm that creates standards, and this standard, as stated by Thal [29], promotes the use of a common risk language and vocabulary, which in turn aids in the dissemination of data, the development of metrics, and the sharing of insights.

The Local Government Risk Management Framework

The Local Government Risk Management (LGRM) framework includes the King Risk Management Criteria (King III and IV). The LGRM claims to be based more on principles than on strict regulations. The framework is meant to describe the fundamentals of successful risk management, including standards, models, and tried-and-true processes. The primary objective of the LGRM is to support local governments in improving and maintaining performance via the implementation of more efficient risk management practices. This is done to increase the possibility of positive outcomes while decreasing the chances of negative ones.

In the third section of the LGRM, titled "Risk Maturity," we examine how prepared local governments are to deal with risks. In this subsection, we offer a simple model of risk maturity, which consists of a three-point scale. Depending on where it stands on this scale, a city's risk maturity might be classified as fragmented, compliant, or risk wise. The Accounting Officer must implement a risk management system that is effective, efficient, and transparent in order to meet the requirements of subsection 62(1)(c)(1) of the MFMA. The success of such a system depends on the existence of favorable institutional conditions. Consequently, the duty of the Accounting Officer becomes crucial in developing and sustaining a favorable environment. The environment of the Institution serves as the fundamental basis for risk management, encompassing the cultural, disciplinary, structural, and procedural elements that shape the establishment of strategy and objectives, the assessment, planning and execution of Institutional activities, and the identification, and mitigation of risks.

Evaluating the level of maturity in a municipality danger management is crucial as it indicates if the essential factors that might affect the municipality's capacity to fulfill constitutional duties have been addressed and minimized. The present iteration of the risk maturity assessment lacks comprehensiveness and requires additional examination in order to provide the necessary depth of understanding and direction to local government entities seeking to enhance their ERM practices.

King IV Code Of Good Corporate Governance

There have been notable advancements in corporate governance and regulatory frameworks [30], both domestically and globally, subsequent to the issuance of King III in 2009, necessitating their consideration. Consider also that while many publicly traded companies follow King III's guidelines, many private businesses, nonprofits, and government agencies have struggled to find an appropriate interpretation and application of the document. The objective of the update is to increase the accessibility of King IV to entities of all sorts across different industries.

Table 5. Principles Of Good Governance

Principle	Explanation
Principle 4	The council must understand that the value of a municipality cannot be created in isolation from its fundamental goals, risks, sustainable development, opportunities, strategy, performance, or business model.
Principle 8	Delegation mechanisms within the Council's structures should encourage the use of sound discretion, promote a fair allocation of power, and enable the Council to fulfill its mandate in an efficient and effective manner.
Principle 11	It is the responsibility of the council to control risk in a manner that helps the city work toward its long-term goals.
Principle 15	Council members have a responsibility to guarantee that assurance functions and services promote an efficient control habitat and safeguard the reliability of data used in municipal decision-making and public disclosures.

King IV is expected to become effective in mid-2017, allowing a 2-year interval for the drafting process and an additional year for organizations to adopt the recommendations. The Institute of Directors in Southern Africa (IoDSA) is responsible for safeguarding the King reports and maintaining its copyright ownership. The project management of the redrafting process is led by Ansie Ramalho from the Institute of Directors in Southern Africa (IoDSA), with the support of Parmi Natesan and Julie Dixon. The writing process of the King IV Report is overseen by the King Committee, which has the authority to provide final approval [31]. **Table 5** provides some of the principles of good governance mentioned in King IV that are relevant to the field of managing risk.

King IV acknowledges that the council must establish a delegation system to maximize administrative and operational efficiency and ensure sufficient oversight mechanisms are in place in order to implement the practices recommended in the supplementary document relating to local government, as required by section 59 of the Municipal Systems Act [32]. It also acknowledges that the council has the authority to establish committees, such as the Municipal Public Accounts Committee, to aid in the supervision of the municipality's actions, as per section 79 of the Municipal Structures Act.

Due to the Auditor General's role as an independent examiner, for all municipal authorities and municipalities lack the authority to appoint their own auditor, the statutory duties of the audit committee with respect to the auditor's nomination and independence do not apply. The MFMA specifies the membership and duties of the local government auditors, making the MFMA's requirements more binding than the Code's suggestions. In instances where permissible within the legal framework, it is advisable to take into account the suggested guidelines provided by King IV in relation to the fulfillment of responsibilities by the audit committee. These recommendations should be regarded as supplementary to the minimum requirements established by legislation.

V. CONCLUSION

The implementation of Enterprise Risk Management (ERM) in South African municipalities is supported by the MFMA and other relevant laws. The establishment of successful ERM systems is contingent upon the pivotal responsibilities played by several stakeholders, including the Accounting Officer, audit committee, and internal auditors. Moreover, established frameworks such as the COSO ERM cube and the Local Government Risk Management Framework (LGRM) provide valuable information pertaining to the risk management implementation strategies. The integration of effective corporate governance principles, as delineated in the King IV report, has the potential to augment ERM inside municipal contexts. This article highlights the significance of ERM within the context of local government and offers suggestions for enhancing its effectiveness. There is no explicit mention of ERM in the municipal law of South Africa. The legislation merely makes reference to the concept of 'risk,' which is primarily addressed in relation to financial management under the MFMA. Nevertheless, it is important to note that there are a number of National Treasury standards and corporate governance regulations pertaining to ERM in the setting of South African municipal governance. Building on the National Treasury's Framework for management of risks in the Public Sector, the LGRM has improved the way risks are implemented and managed at the local level. The King IV principles for efficient governance in South Africa are reflected in the LGRM, which contains all the essential requirements for ERM at the municipal level. The risk maturity component of the LGRM requires significant further development and refinement in order to facilitate the identification of deficiencies in ERM practices and the implementation of enhancements by municipalities.

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The author reviewed the results and approved the final version of the manuscript.

Data Availability

No data was used to support this study.

Conflicts of Interests

The author declare that they have no conflicts of interest.

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Competing Interests

There are no competing interests.

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