ADAPTING ENTERPRISE RISK MANAGEMENT PRINCIPLES TO LOCAL GOVERNMENT IN A DEVELOPING COUNTRY

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Abstract

This article seeks to analyze the role enterprise risk management (ERM) theory plays in consequence management (CM) in the South African local government context. We advance the argument that CM, which is regarded as the synchronization of initiatives undertaken to respond and lessen the impacts of a security-related occurrence, has not been fully exploited in the local government set-up. The South African local government has been haunted by service rendering challenges due to a lack of leadership ethics among other maladministration practices (Kroukamp & Cloete, 2018). As such, they have faced some challenges in the adoption of effective, efficient, and economic actions that ensure potential risks and attacks are identified before inflicting damage to the welfare of the citizens. The study adopts a qualitative literature analysis to generate its findings. Findings reveal that the core principles of ERM, like assessment of risks and culture, threat strategic planning and objective setting, risk in implementation, risk information, interaction, reporting, and monitoring ERM performance, have the potential to enhance CM in the context of local government. ERM framework can help municipalities to understand their organizational culture and climate, and the successful implementation and management of organizational change since it provides organizations with effective governance measures such as oversight, structure, and culture that are needed to establish the goals of the organization, the means to pursue them and the ability to understand any associated risks.

Keywords: Enterprise Risk Management, Consequence Management, Service Delivery, Local Government


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1. INTRODUCTION

One of the major challenges confronting local government in South Africa is poor service delivery due to a lack of effective leadership ethics, among other administrative factors (Mbandlwa et al., 2020). Evidence points to the reality that the majority of leaders are not accountable and this has compromised the effective application of consequence management (CM). In the past years, the Auditor-General of South Africa (AGSA) have shown that many South African municipalities have received unqualified audits, and recommendations are rarely implemented by municipalities (Mdlalala & Wizeyimana, 2020). CM was described by Moreu et al., (2017) as activities to be undertaken when a suspected threat has been identified in order to limit any harm before it might be done to the system or population (p. 276). More so, the concept has received minimal attention in the sphere of local government; previous studies averred that CM can be traced to risk, crisis, and disaster management (Comfort, 2007).

The concept of CM is a new phenomenon in South African municipal governance. The first use of CM can be traced from the AGSA’s (2013) report, which emphasized the importance of CM for South African local government. The AGSA (2013) showed that the lack of accountability by South African municipalities in terms of regulatory and legislative frameworks was the major hindrance in delivering effective and efficient services to citizens. In addition, key findings of the report showed that there was mismanagement of government resources, an increase in government tender fraud, gradual erosion of state-owned enterprises (SOEs), and in recent times, revelations over state capture (Godinho et al., 2018; Fazekas & Tóth, 2016). It can be pointed out that the debates over state capture focused on the concept of CM because, the South African economy has seen an important policy and institutionalized reforms, aimed at improving the overall governance of companies and government institutions (Lambrechts, 2019; Callaghan et al., 2021). This suggests that CM has found its way into the South African political and public administration discourse. Chapter seven of the 1996 Constitution of the Republic of South Africa, bestows responsibility on the local government sphere by providing for regulation and legislation that empowers and arms local government to accelerate the social and economic growth of municipalities (Cadogan, 2008; Kroukamp & Cloete, 2018).

The AGSA assessments have highlighted that CM remains unexploited in local municipalities and has become one of the factors that exacerbate the recurring challenges of irregular and wasteful expenditure, in-capacity, and non-compliance in local government. A review of the Public Audit Act (PAA) also brings to light problems impacting the accuracy of the financial reports of governmental organizations and departments, which remains a significant difficulty. Recently, in his 2019 State of the Nation Address and his Inaugural South African President Cyril Ramaphosa explained the need for CM in relation to the vast problems that face his cabinet (Republic of South Africa [RSA], 2019). Although the AGSA had been emphatic on the lack of CM strategies in municipalities, it can be pointed out that the Auditor-General’s reports have remained silent on how CM can be enforced in South African municipal governance.

The main problem we explore here is that while the South African Constitution provides for the construction and development of efficient, well-functioning and well-governed public service to maximize its developmental mandate and the well-being of the people (Kroukamp & Cloete, 2018), in the 26 years of post-democracy, local government has experienced several challenges such as inefficiency, corruption, no response to poor compliance, unqualified audit, supply chain management transgression, and unauthorized irregular expenditure, as well as fruitless and wasteful expenditure that impedes on the spheres constitutional mandate (Biljohn, 2017).

Evidence points to misunderstandings about the provisions of regulatory frameworks of the government, which results in laborious practices, long turnaround times, and drawn-out decision-making mechanisms, and this has compromised the quality of services being rendered. In line with this, Motau (2018) opines that the South African public service is characterized by weakening elements, such as persistent immorality and corruption, politicians’ meddling in administrative tasks, a lack of the necessary abilities, and consequently, a lack of dedication on the part of officials. To substantiate this, Motau (2018) documents that 32% of municipal executives have less than five years of professional expertise, 46% have less than one year of experience, and 68% have less than two years. This has been attributed to the system of cadres’ deployments, which compromises effective CM in South African municipalities (p. 48).

The maleficece and looting of the Venda Building Society (VBS) Mutual Bank is an example of where cadre-driven tokenism and rent-seeking present risks and challenges in terms of CM in the South African local government. In this case, Municipalities illicitly deposited and invested public funds (which are ordinarily supposed to be for service delivery in communities), in the VBS Mutual Bank against the prescripts of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003 (Republic of South Africa [RSA], 2003). These deposits, investments, and transactions were done in a manner against the law and flagrantly against the municipal constitutional mandate of ensuring socio-economic development in related communities (Adonis, 2021). Risks as a result of poor CM are maleficence, financial mismanagement, wasting, corruption, negligence, and poor or lack of service delivery to communities (Thornhill & Cloete, 2014). Poor CM also encourages weak public accountability wherein it contributes to the dysfunctional situation in local government. In a similar vein, (Sibanda, 2017) attributes the deterioration of municipal functionality to inadequate public accountability measures and poor compliance with legislation governing local government.

Many of these negative developments afflicting local government occur within governance
structures in municipalities, especially municipal councils that have the legislated responsibility of ensuring accountability. The aforementioned challenges that continue to haunt the local government sphere have been attributed to the ineffective application of CM in the public sector context (Khalo, 2013).

An outcome of these weaknesses is the perennial wave of service delivery protests. An indication that local government dysfunction has weakened the trust of citizens in the municipality (Ndove & Muller, 2018). In a similar vein, Delive (2019) supports the aforementioned viewpoint when he claims that over the past 12 years, the so-called service delivery demonstrations that have spread in South African municipalities and cities have indeed been about more than just insufficient local government the provision of housing, water, energy, and sanitation; they have also been about a lack of accountability and the use of CM as a tool for elected officials to be held accountable.

Yet, local government is in a good position to play a significant role in enhancing responsive service rendering and lowering inequality, through effectively managing these internal operation drawbacks using good CM practice. Given the arguments so far, we advance the notion that the creative and innovative application of enterprise risk management (ERM) principles may have the potential to improve CM in the local government domain. In this regard, this article uses qualitative literature analysis to answer the following research questions:

**RQ1:** What are the conceptual, theoretical, and practical approaches to ERM in South Africa?

**RQ2:** To what extent can ERM aid municipal governance in South Africa?

In this case, this article is divided into five sections. Section 1 introduces the concepts and the main variables of the study as shown above. Section 2 delves into a literature review that explores scholarly works on ERM across the globe. Section 3 analyses the methodology that has been used to conduct empirical research on the application of ERM in the South African local government context. Section 4 presents the findings and discussions on the results generated from the literature. Section 5 offers study conclusions and recommendations.

2. LITERATURE REVIEW

The concept of enterprise risk management (ERM) is described as a comprehensive approach to risk management in which all threats are evaluated collectively inside one synchronized and strategic framework (Whittle & Nel-Sanders, 2022). The concept deviates from the more conventional “silo” method, in which businesses try to handle one problem at a time, primarily decentralized and compartmentalized (AnalystPrep, 2019). There are various definitions available for ERM; for example, the Committee of Sponsoring Organizations (COSO, 2004) described ERM as a structured mechanism applied by the organization’s governance structures, management, and line management, carried out in the organization’s overall strategy, further developed and designed to control incidents that could harm the organization and, most significantly, mitigate risk. Rubino (2018) defined ERM as an integrated systemic method of total risk management underpinning the enterprise, whereas D’Arcy and Brogan (2001) defined ERM as the mechanism used by companies across all sectors to assert control and provide continuous risk assessment for stakeholder trust goals over a long period. ERM is described in this paper as the procedure for locating and analyzing risk from a comprehensive, organizational-wide perspective toward helping municipalities establish CM models.

In recent years, the relevance of ERM has increased dramatically as a result of business fraud, financial mismanagement, increased risk complexity, and regulatory and legislative institutions (Shad et al., 2019). It is imperative to note that the ERM theory is composed of a few popular frameworks (ISO 31000, AS/NZS 4360 standard, and COSO, 2004) that are used and applied by organizations (Raz & Hillson, 2005; Frigo & Anderson, 2014; Ahmad et al., 2014; Agarwal & Ansell, 2016). Such systems have been upgraded throughout the years, yet they still have certain drawbacks. For instance, the various structures, specifications, and terminologies of the current risk management systems limit meaningful comprehension and application.

The fact that risk management frameworks are rarely connected with corporate control systems, such as strategic planning and management control, is another one of their drawbacks (Williamson, 2007). In 2017, COSO updated the ERM framework to improve its effectiveness. Even though the issue of identifying strategic objectives was somewhat addressed by the new ERM framework by COSO, there is still no obvious connection with the elements of managerial control (Rubino, 2018; Desender, 2011). According to Power (2009), the modified COSO-ERM’s weakness is that it fails to guarantee that employees comprehend the idea of risk. Given that risk management fluctuates from organization to organization, Rubino (2018) recommended that frameworks must provide basic standards and as a result, they can anticipate unique risk management scenarios. In this regard, Rubino (2018) identified four characteristics of the risk management process, that are integral to how ERM is designed and developed:

1) **Planning and designing the approach.** This reflects the managerial approach, the ethical and moral principles, the expertise, the description of domains of responsibility, the presence of suitable statutory instruments and policies, the ideology of the senior leadership in risk and its tiers of acceptability, the culture of threat and behavior of people operating at all levels of the organization. The external context should not be limited to the Social and cultural. Political, legal, and regulatory. Financial, technological, economic, natural, and competitive environment.

National, regional, or local key drivers and trends have an impact on the relationships with perceptions and values of external stakeholders.

Setting the organization’s vision, goals, and operational principles is essential to the effective incorporation of the risk management function. This
encourages the development and advancement of a welcoming risk management environment.

2) Implementing integrated risk management. The initial step in this context is to identify the internal and external activities that impact the organization's goals. These activities must be adequately recognized and divided into opportunities (events with a positive influence) and risks (events with a negative impact). Opportunities are assessed by taking into account the previously outlined strategic planning process, whereas risk must undergo a thorough analysis in order to develop the best management strategies for it. Additionally, it is necessary to evaluate the risk connected to the identified activities. This is necessary because management must weigh various objectives according to their chance of occurring in the future and their impact. The leadership can determine how each danger will be handled (avoided, accepted, reduced, or shared), and can then begin to take steps to match the identified risks with the degrees of risk appetite and tolerance.

3) Implementing integrated risk management. Appropriate risk management is centered on clearly delineated guidelines and processes that must be put into practice to guarantee that risk responses are given through the establishment of methods of control, such as organizational procedures and solutions designed to reduce operational risks and identify potential consequences. In this case, it is feasible to detect potential incidents or risk factors, develop procedures, and evaluate the efficiency of already implemented controls thanks to established control activities. Risk management needs to be continuously monitored to ensure that it is operating correctly and effectively and that it is appropriate given the organization’s internal and external environments.

4) Continuously improving risk management. As a component of good governance, this refers to ongoing engagement with various stakeholders, especially thorough and regular reporting of risk management effectiveness. Therefore, it is important to identify, gather, and communicate information at the appropriate time and in a suitable form in order to enable all organizations that are subject to do so. The methods used for interaction, sharing, and monitoring information within an organization’s system are crucial. The quality of the information system that can be formalized or not has a growing impact on information and communication operations. Table 1 matrix breaks down the focus of the broad scope of ERM frameworks in relation to these key RM characteristics.

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In 2001, Pricewaterhouse Coopers (PWC) was approached by COSO to develop and design a framework to be used by management in the quest to evaluate and improve their organization's ERM (Crovini, 2019). Three years later in 2004, COSO made available the ERM integrated framework which is the most commonly used ERM framework in many organizations around the world (COSO, 2004). According to Bromiley and Rau (2016), the initial 2017 framework was used to conduct a joint study of the COSO ERM framework. In this framework, the managers are guided by the principles introduced for each component of the framework, making it easier for the framework to be implemented. The most comprehensive standard is that of the COSO, which is also clear from the inclusion of strategy and business objectives. However, this aspect has been seen as one of the limitations of the framework. For organizations to get a complete picture of ERM operations and its operational areas and to get a sense of how to apply ERM, the COSO framework is highly helpful (Farrel & Gallagher, 2015, p. 626).
The COSO’s ERM Framework updated in 2017 is a set of principles organized into five interrelated and interconnected components (Crovini, 2019). The next section analyzes these components in the practice context of local government in South Africa.

3. RESEARCH METHODOLOGY

Literature analysis was used to examine the potential of ERM in improving local government CM in the South African context. By critically analyzing the literature, this research technique hopes to arrive at a fresh perspective. As a result, this paper drew from a wide range of sources, including books, journal articles, and internet sources, to examine the extent to which ERM can influence the efficient and effective application of CM in the municipal context. The researchers discovered literature analysis to be a powerful tool to accomplish the goals of the article, leading to the production of a new perspective on the nexus that exists between ERM and CM.

The application of ERM in the municipal context does not occur in a policy vacuum, so the materials that were used are intended to assist in resolving current research problems. There are many policy declarations in official reports, drafts, and legislative reports that were used to comprehend the application of ERM in the municipal context. The majority of the data included in the study came from internet sources and was carefully selected based on its applicability. Archival data allowed for a critical analysis of earlier studies on South Africa’s execution of ERM. This process prompted and encouraged the development of new ideas on risk management in the local government context.

4. RESULTS AND DISCUSSION

The main idea advanced in this article is that the consideration of the above-mentioned principles of ERM is prudent in improving local government’s efforts in transforming governance culture, strategies and objectives setting, risk in execution, and risk in information, and communication as well as monitoring risk management performance. This section explores the application of ERM principles in the local government context.

4.1. Governance and culture

Governance in the discipline of Public Administration is more elaborated in the public value (PV) paradigm which differs radically from the traditional model of public administration that is associated with the post-war welfare state and also the new public management (NPM) mostly applied in neo-liberal states (Turkel & Turkel, 2016; Mpofana & Ruiters, 2019). Additionally, PV resolves the philosophical conflict between firstly, the NPM, which aims to drastically reduce the general populace’s bureaucratic system through initiatives and institutional arrangements based on economic effectiveness, and secondly, the traditional public administration (TPA), which aims to reduce abuse of power and bring expert knowledge to administration by creating a more independent legal rational organization (Yani, 2018). The global financial crisis which resulted in the Great Recession, in 2008, brought to the fore the shortcomings of NPM and TPA as agencies for good governance.

Economic efficiency and legal rationalization failed to anticipate and mitigate the emergence of business fraud, financial mismanagement, increased risk complexity, and regulatory and legislative institutions that caused the Great Recession. Consequently, this sparked a resurgence of interest in state regulation and involvement in the private economy (Turkel & Turkel, 2016; Mthembu et al., 2021).

These factors boosted PV to build good governance as a participatory, transparent, and targeted government. In a world where telecommunications and data-based judgment calls are on the rise, “public value” evaluates the public sector by having public functionaries strategically
prioritize citizens and democratic principles and explore alternative resource avenues by integrating state action with the resources of business and the non-government sector (Turkel & Turkel, 2016). In this case, the government is well-positioned to lead efforts to address societal issues by mobilizing its own resources as well as those of the private and non-profit sectors (Yani, 2018). From this PV purview, Yani’s (2018) four main principles of governance in public administration are well suited to guide risk governance in local government:

1) Organisations and players with similar roles to those of the government make up governance.

2) Management is viewed as a tactic that recognizes delegating authority and duty for resolving societal issues.

3) Independent self-governing networks of agents are viewed as being necessary for governance.

4) Governance encourages governments to place more of their attention on directing or steering activities rather than ordering and dominating ones.

To further explain these governance principles, economic, political, and technological dynamics expose organizational leaders to significant exposure to risk and high level of uncertainty. For local government, the challenges as discussed earlier, pose major problems for management in their oversight of the most crucial risks (Beasley et al., 2016). Hence the necessity for municipal organizations to self-organize by proactively recognizing and resolving risks. Such agility can help increase effectiveness, safeguard partners’ interests, and provide value for local government.

The second aspect integral to governance is the organizational culture which is seen as a contextual factor that plays a critical role in the success of management in organizations (Nzewi, 2017; Masale et al., 2021). Organizational culture is defined by the COSO (2017) as the attitudes, behaviors, and comprehension of risk, both positively and negatively, that impact both employee and management actions and represent the mission, vision, and core values (p. 27). Furthermore, Marjoni and Pandam (2019) define culture as a collection of values, conventions, and beliefs that are passed on to new members of an organization together with an awareness of what those organizations value. Artifacts of culture that can be seen include beliefs, emotions, and attitudes. Delobbe et al. (2002), Nzewi et al. (2016), and Gasela (2022) identified three layers that define and most importantly conceptualize organizational culture. The first layer is the dress codes, incentive programs, workplace environment, ceremonies, and rites are examples of things that are overt or noticeable and are visible at an artificial level. While the intermediate or second layer looks into values and norms. Despite not being directly visible, they do, to some extent, shape and impact behavior (Gasela, 2022, p. 7).

Norms are typically viewed and understood as standard practice that deviates from established standards in favor of being a bridge between what an organization says and does (Nzewi et al., 2016). The final layer of organizational culture is the assumptions that are borne out of the values that few expression leaders in actions, and settle into practices that are not questioned. Employees and managers take assumptions for granted because they are not aware of them (Denison & Neale, 2009; Nzewi et al, 2016). From a CM viewpoint, establishing CM as the norm will entail a culture built to create values in line with CM and expressed through practice.

Since the core of organizational culture is its impact on how employees behave in terms of their feelings, cooperation, and management decisions (McDowell et al., 2016), the patterns of organizational culture are crucial in creating the outcome of organizational management (Brown et al., 2015). This can be distributed to new team members for organization-wide coordination and environment-specific adaptation. Therefore, in relation to the above assertion organizational culture is the way members of the organization accept, perform, and pass onto new members that would create agreeable ways of operating in the organization. Most importantly it helps organizations to adapt to external environments that result in organizations’ survival.

Integral to CM are more functional municipalities and this is only possible when the municipal structure is well established and developed which meets the needs of the municipality. For effective CM, municipalities need to establish proper channels of communication, clear lines of power, and clear roles and responsibilities (Moeller, 2011, p. 57). This in return would allow municipalities to plan, execute, control, and monitor activities. Hence, oversight, structure, and culture are integral to CM as they are identified to be important for the effective and efficient functioning of municipalities. These elements have the power to help municipalities adapt to a changing reality and work together to achieve municipal goals (Beasley et al., 2018). Therefore, CM nudges municipalities towards achieving their goals at an acceptable and accepted rate, in return municipal directorates must work together across functional lines to analyze and discover solutions to handle unexpected future events in a challenging environment (Thomya & Saenchaiyathon, 2015).

Municipalities’ CM is improved by governance and culture from the standpoint of the ERM framework because they may direct managers and staff on how to complete duties, implement procedures and methodologies, and adhere to existing laws (Ncgobo & Malefane, 2017). Proactive CM can be promoted through the following governance practices:

1) Effective and efficient activities. They are essential for municipal governments to be able to make moral decisions (Ncgobo & Malefane, 2017). Management teams must periodically evaluate whether internal and external controls articulated through organizational culture and structure accomplish the fundamental purposes for which they were established (Kariuki & Reddy, 2017; Van Nieker & Sebakamotse, 2020) as well as performance goals. In order to protect assets from theft, misuse, and destruction, effective and efficient municipal operations provide the organization with the correct information for decision-making (van der Poll & Mthiyane, 2018).

2) Reliable financial reporting. Effective CM is characterized by municipalities submitting accounting information to the Auditor-General (AG). According to Section 14 of the PAA No. 25 of 2004
(RSA, 2004), these financial accounts were audited by the AG to provide confidence. The AG verifies that the financial statements adhere to the financial reporting framework while auditing the financial statements. Standardized financial reporting motivates local governments to improve their CM strategy.

3) Adherence to regulations and statutes. ERM improves CM’s capacity to increase responsibility as it is crucial for municipalities to detect and disclose any illegal, irregular, and unjustified costs they have incurred as a result of breaking rules (AGSA, 2018). Over the past two decades, the South African local government has been battling with an unrelenting and pervasive problem of non-compliance with municipal legislation and regulations. This has been repeatedly demonstrated by the AGSA, who has consistently called attention to violations of local laws and ordinances in a number of successfully significant audit findings. Despite several initiatives, including the Local Government Turnaround Strategy (LGTAS) 2009 and the RSA (2014), the ongoing failure to ensure compliance has continued (Department of Cooperative Governance and Traditional Affairs, 2023). Similar results were not achieved by Operation Clean Audit 2014 in terms of reducing violations of local laws and ordinances (Powell et al., 2014; Nzewi, 2017; Patience & Nel, 2022).

For purposes of this study compliance with legislation and regulation from a CM view has the ability (Fourie & Malan, 2020), to prevent potential material misstatements in the fiscal and service delivery information in financial statements and annual reports, it is crucial to comply with financial management acts like the MFMA and the Treasury Regulations Reporting requirements. The identification and prevention of any illegal activity, such as irregular, unpermitted, wasteful, and ineffective spending, appointment, and planning procedures for human resources.

4.2. Strategy and objective setting

The organization’s goals, which often draw from the purpose, vision, and objectives established by the organization, must be asserted and included in the organization’s strategy. The extent of an organization’s activities, as well as any unique advantages or capabilities, must be outlined in the organization’s strategy. The organizational strategy must also support the organization’s mission, take advantage of opportunities and challenges in the environment, neutralize threats to the organization, and assist in avoiding or overcoming organizational weaknesses.

Organizational structure and strategy are interdependent and both are necessary for effective operational control. Accordingly, whether or not core values are not correctly connected, it will positively impact the performance of the organization (Ajagbe et al., 2016; Dhlamini, 2022). Consequently, an out-of-alignment approach poses a risk to the achievement of organizational goals and objectives. Therefore, the organization must consider the risk that its strategy may not be in line with its purpose, vision, and core values, which describe its goals and the manner in which it will conduct its business.

4.3. Risk in execution

The COSO ERM framework’s core, which is represented by risk execution, also known as risk assessment, is located exactly in the middle of the framework. It allows an organization to take into account the amount to which prospective risk-related occurrences will affect the achievement of the company’s goals. Risk assessment is viewed as a method to identify the type and scope of risk and is essential for setting the groundwork for creating efficient risk management policies, processes, and strategies (Rovins et al., 2015, Mzimba et al., 2022). The risk assessment procedure enables the detection, estimation, and ranking of risks. Potential losses and assessments of their potential effects on the organization are part of this exercise. The information generated through risk assessments is focused, reliable, comprehensible, and practical. Therefore, establishing the gaps in knowledge that impede organizational activities, identifying the end user of the information, and understanding why the evaluation is needed and desired are the initial steps in risk assessment (The World Bank, 2012). If there is communication and trust among stakeholders and decision-makers, this first stage must be integrated with organizational processes. A risk assessment that takes these elements into account will allow for the production of knowledge that can be used to reduce risks (The World Bank, 2012).

Risk assessment thus needs to do the analysis, evaluate the risk, predict how it will evolve with different action plans, and offer assistance in the form of precedents, standards, contrasts, and lateral solutions (Rovins et al, 2015). Execution of risk identification and assessment that could affect the accomplishment of strategy and organizational objectives is required. As a result, the risks associated with execution must be prioritized according to their seriousness and in light of the risk appetite (Shad et al., 2019, p. 6).

CM in municipalities can take into account all internal and external risks that can result in the failure to meet objectives thanks to risk assessment. Additionally, CM has the ability to recognize hazards that should be taken into account if financial statements are grossly misstated. Municipal management can assess the importance of risk, evaluate the likelihood that risk will occur, and assess the impact or consequence of the identified risks on the municipality through the use of CM (Fourie & Ackermann, 2013). Additionally, the ERM framework makes sure that municipal CM can recognize control activation to reduce the detected risk (AICPA, 2005; COSO, 2017). CM basically becomes the process of determining and evaluating risk. Therefore, it is crucial that CM incorporate the element of control since without risk identification, there is no basis for understanding how risks should be managed.

4.4. Risk information, communication, and reporting

This ERM component acknowledges and values the critical requirement for a constant cycle to gather and disseminate pertinent input from multiple sources; this information must flow up, down, and across the organization for decision-
Carding (Lam, 2017). Heath et al. (2008), and Nwagwu and Adeleke (2022) defined communication as the process of communicating information on the nature, magnitude, relevance, or control of danger among stakeholders. Prior to and during an occurrence, risk communication primarily focuses on creating and delivering messages.

Because it helps directors, managerial staff, stakeholders, and supervisors to appreciate and analyze risk, define their responsibilities, and collaborate on monitoring, reduction, mitigation, and recovery efforts, risk communication is a vital component of risk management practices (Sato, 2015, p. 2). To reduce the impact of risk on the organization, risk communication is essential at all levels, from policy to individual behaviour. Risk communication is essentially the effective exchange of information about risk, whether it be positive or negative, that enables the board, management, stakeholders, and supervisors to take prompt action to mitigate its negative effects (Heath et al., 2008). This effort and process also ensure that risk information of value to the overall ERM is communicated.

An organization may view a process of communication as complete once the necessary individuals have access to the information. For risk communication to be effective, according to van der Poll and Mthiyane (2018), it must increase participants’ comprehension of pertinent topics or activities and give them confidence that they are well-informed given the state of the science (p. 25).

As a result, the ERM framework gives CM in municipalities the capacity to find pertinent data from both internal and external sources that might be important to the organization. To do this, ERM also helps CM set up procedures to make sure that reporting deadlines are met and that pertinent information is sent promptly to the appropriate level and in a format that will make it simple to analyze the data gathered (Fourie & Ackermann, 2013; Mavuso & Makeleni, 2022).

Thus CM in municipalities must establish a process to capture and register complaints and/or errors to prevent them from occurring or happening again. This is accelerated by procedures that explain to municipal employees what they should do if they suspect any wrongdoing and who the relevant persons are to whom this should be communicated (van der Poll & Mthiyane, 2018). This would be achieved in municipalities by establishing an accounting system that should be divided into different classes to make reporting easier and be set in such a way that ensures the accuracy of records (Ngobó & Malefane, 2017, p. 77). Additionally, this is accomplished by ensuring that all municipal processes are documented in approved policy and procedure handbooks, which should be provided to all municipal workers so that they are aware of their obligations and how their obligations affect those of others within the municipality (Ngobó & Malefane, 2017).

4.5. Monitoring risk management performance

The monitoring element, the last of the five elements in the ERM framework model, is crucial for ensuring that all established ERM elements keep functioning as intended (Moeller, 2011, p. 84). Monitoring is described as a continual evaluation of the functionalities of program activities in the context of implementation timelines and the utilization of project resources by Kariuki (2014) in Kabonga (2018). According to Valadez and Bamberger (2004), monitoring is more of a program activity whose purpose is to ascertain whether project activities are carried out according to schedule. As a result, the definitions that have been investigated all lead to monitoring as a continuous function and more of an everyday task (Mello & Makamu, 2021).

According to Kariuki (2014), monitoring is focused on two essential elements that make the process necessary. Monitoring projects or development efforts enable early detection of issues that prevent the achievement of intended goals (Kunwar & Nyandemo, 2004; Sebake, 2022). The second feature is its emphasis on quickly identifying problems and communicating them to decision-makers for corrective action. It is descriptive in its intents and focuses on activities and outputs, and it is an important method for organizations to flag exceptions or violations in some aspects of the overall ERM. Effective monitoring procedures enable the organization’s executives to detect developing risks in implementing the strategy, gain knowledge of the link between risk and performance, and comprehend how risks from the plan are impacting performance.

5. CONCLUSION

Literature analysis has demonstrated that a central feature of a successful local government is the diagnosis of its culture, effective performance, and the ability of municipalities to adapt to change. This involves the application of organisational behaviour and recognition of the social process of the organisation. It is prudent to note that ERM has not been fully entrenched within local government processes in South Africa and this proved to be the main limitation for this research as literature is scant. More so, relying on available literature and municipal documents demonstrates absence of empirical evidence which is integral in strengthening the quality of study findings. Despite this, analyse literature demonstrated that ERM framework has potential to help municipalities to understand their organisational culture and climate, and the successful implementation and management for organisational change for the reason that it provides organisations with effective governance measures such as oversight, structure and culture that are needed to establish the goals of the organisation, the means to pursue them and the ability to understand any associated risks.

Findings also demonstrate that despite the reality that extensive enterprise risk management is much more established in metropolitan municipalities than smaller local governments, underlying factors like the size of municipalities do not adequately describe the development of comprehensive risk management in municipalities. When weighed against the time and money required for its introduction, the comprehensive ERM’s slow adoption suggests that it does not provide an instant return on investment. In this case, we conclude that ERM is an imperative model in the entrenchment of consequence management in local government as it is an ongoing
and iterative embedded in everyday organisational processes to allow the organisation to stay aware and ahead of emerging threats and opportunities.

The principles embedded in the ERM will allow municipalities to manage the complexity from emerging trends and be more adaptable and resilient to risk. The municipal managers must endeavour to guarantee that information flows from top to bottom and from departments to a management team to ensure information flows throughout the agency and, in fact, to better manage the agency overall. This is necessary to prevent the departmental heads from attempting to handle risks by merely moving them from their departments to other areas of the municipality. Therefore, ERM has inputs that can enhance the development and design of consequence management model that can strengthen local government and improve its performance in the delivery of basic services to communities.

As such, consequence management remains a virgin territorial research in the discipline of Public Administration and municipal governance. Therefore, this study falls in the knowledge gap of contextualising, conceptualising, and understanding consequence management in the view of municipal governance in South Africa. As a result, this study becomes a corner stone and a focal point for more research on consequence management in both the discipline of Public Administration and municipal governance. Furthermore, this research intends to generate more knowledge on the topic of consequence management and most importantly contribute to policy making in the field of municipal governance. Furthermore, the study intends to be a base and a catalyst for further research of consequence management not limited to the sphere of local government but the public service.

REFERENCES


