

# Risk Management

## Integrated Risk Management

### Introduction

Umgeni Water's Integrated Risk Management Framework was approved by the Board in 2006. Since then it has been embedded in the management culture and implemented throughout the organisation. As a result, there is continuous review of strategic and operational risks, including assessment of any emerging risks that could affect the organisation's ability to achieve its strategic objectives.

### Risk Management

The Board of Umgeni Water is ultimately responsible for risk governance. Quarterly risk management updates are tabled at Board meetings by the Audit Committee, which monitors the status of strategic risks.

The status of strategic and operational risks are reported and monitored on a quarterly basis by the Corporate Risk Management Committee, which comprises the Executive, Top Managers from all divisions and Divisional Risk Champions.

The Executive and Top Management undertake a strategic risk review process, observed by Internal Audit, on an annual basis. The review process embraces new dictates and best practice.

Continual improvement of the Integrated Risk Management Framework is made possible by the commitment of Umgeni Water's Executive and Top Management, and has enabled an increased level of risk management maturity to be achieved in the organisation. The evolution to the King III framework for corporate governance and conformance to ISO 31000:2009 is underway.

### Significant Risks to Umgeni Water

The organisation's significant risks and linkages to the strategy are shown in **Figure 4**.

### Mitigation of Top Strategic Risks

Mitigation measures for the Top Strategic Risks are presented in **Table 5**.

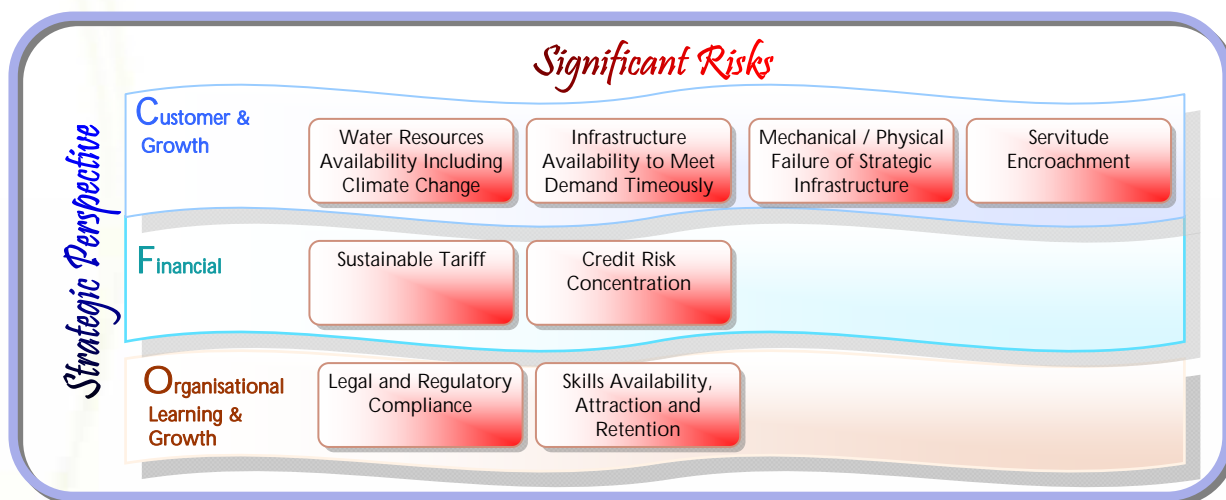
### Emerging Risks

Three emerging risks were identified by the Executive and Top management at its annual review session:

- Fraud and Corruption Risk,
- Information Technology Governance Risk, and
- Potable Water Quality and Wastewater Quality Risks.

Mitigating actions and controls will be implemented to minimise the impact of such risks.

**Figure 4: Significant Risks, showing Strategy Linkage**



**Table 5: Top Five Strategic Risks and Mitigation Measures**

<p><b>1</b></p> <div style="border: 1px solid red; border-radius: 10px; padding: 5px; background-color: #f08080; width: fit-content; margin: 0 auto;"> <p>Water Resources Availability Including Climate Change</p> </div> <p>Umgeni Water constantly monitors the availability of surface water resources to assess adequacy to sustain the organisation's bulk potable water business.</p> <p>Water conservation and demand management initiatives are pursued to increase use efficiency, whilst alternative resource options, including desalination and wastewater reclamation, are investigated.</p> <p>Research into climate change is undertaken to assess impacts on future resource availability and inform adaptation strategies.</p>	<p><b>4</b></p> <div style="border: 1px solid red; border-radius: 10px; padding: 5px; background-color: #f08080; width: fit-content; margin: 0 auto;"> <p>Legal and Regulatory Compliance</p> </div> <p>The organisation maintains a watching brief on legislation changes and updates, and assesses the impacts, including implications for policy review, to ensure the organisation remains compliant.</p> <p>A robust internal control monitoring framework provides assurance of compliance to legislation.</p>
<p><b>2</b></p> <div style="border: 1px solid red; border-radius: 10px; padding: 5px; background-color: #f08080; width: fit-content; margin: 0 auto;"> <p>Servitude Encroachment</p> </div> <p>Umgeni Water is committed to managing servitude encroachment by regular inspection and servitude maintenance, as well as through liaison with landowners and Local Authorities. In the event of illegal encroachment Umgeni Water adopts a robust communication process and pursues legal action if necessary.</p>	<p><b>5</b></p> <div style="border: 1px solid red; border-radius: 10px; padding: 5px; background-color: #f08080; width: fit-content; margin: 0 auto;"> <p>Infrastructure Availability to Meet Demand Timeously</p> </div> <p>Umgeni Water maintains a source-to-tap perspective in planning its bulk water supply infrastructure, considering both the upstream water resources infrastructure developments needed, as well as the reciprocal customer reticulation tie-ins.</p> <p>This is made possible, through liaison and collaborative planning with customers (Water Services Authorities) and the water resources custodian (DWA) regarding optimal options for reconciliation of supply and demand.</p>
<p><b>3</b></p> <div style="border: 1px solid red; border-radius: 10px; padding: 5px; background-color: #f08080; width: fit-content; margin: 0 auto;"> <p>Sustainable Tariff</p> </div> <p>Umgeni Water monitors and reports on cash flow funding requirements, maintains optimal debt levels and has a transparent and formalised tariff policy, together with a robust tariff model.</p> <p>Water demand planning, liaison with stakeholders to obtain commitment to the capital expenditure programme, followed by project evaluation to assess sustainability of the programme, are measures undertaken.</p>	<p>Umgeni Water consolidates its infrastructure requirements into its Infrastructure Master Plan, which is updated on an annual basis.</p>