MSUKALIGWA LOCAL MUNICIPALITY

RISK MANAGEMENT POLICY 2026/27

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Note to the user

The policy serve as an internal control and an implementation tool for risk management purpose, it may be downloaded or printed but not used for commercial purpose.

Section 1

1.1 Definitions - In this Policy, unless the context indicates otherwise

Concept (terminology)	Explanation (Meaning)
Accounting officer	The Municipal Manager
Audit committee	An independent committee constituted to review the control, governance and risk management within the Institution, established in terms of section 166 of the MFMA
Chief Audit Executive (CAE)	A senior official within the organization responsible for internal audit activities (where internal audit activities are sourced from external service providers, the Chief Audit Executive is the person responsible for overseeing the service contract and the overall quality of the services provided).
Chief Risk Officer (CRO)	A senior official who is the head of the risk management unit.
Framework	The Public Sector Risk Management Framework.
Municipal Council	As per MFMA/Municipal Act.
Enterprise-wide risk management (ERM)	ERM is a broad-based application of risk management in all major functions and activities of the Institution, rather than only in selected areas, to isolate the material risks.
Inherent Risk	The exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.
Municipality	Msukaligwa Local Municipality.
Internal Auditing	An independent, objective assurance and consulting activity designed to add value and improve an Organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
King IV	The King Code of Corporate Governance for South Africa 2016.
Management	All officials of the Municipality except for the Chief Risk Officer and officials reporting to him/her.
MFMA	Municipal Finance Management Act (Act No. 56 of 2003).
Policy	Msukaligwa Local Municipality Risk Management Policy.
Other Official	An official other than the Accounting Officer / Council, Management, Chief Risk Officer and his/her staff.

Residual Risk	The remaining exposure after the mitigating effects of deliberate management intervention(s) to control such exposure (the remaining risk after Management has put in place measures to control the inherent risk).
Risk	An unwanted outcome, actual or potential, to the Municipality's service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present upside potential, which Management must be aware of and be prepared to exploit. This definition of "risk" also encompasses such opportunities.
Risk Appetite	The amount of residual risk that the Municipality is willing to accept.
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. A risk champion may further be a person with the skills, knowledge, leadership qualities and power of office required to champion a particular aspect of risk management (e.g. Sectional head in a particular department).
Risk Factor	Any threat or event which creates, or has the potential to create risk.
Risk Management	A systematic and formalized process to identify, assesses, manage and monitor risks.
Risk Management, Anti-fraud and corruption Committee	A committee appointed by the Accounting Officer / Council to review the Municipality's system of risk management.
Risk Management Unit	A business unit responsible for coordinating and supporting the overall Institutional risk management process, but which does not assume the responsibilities of Management for identifying, assessing and managing risk.
Risk Owner	The person accountable for managing a particular risk(s) for the department (e.g. Head of Department).
Risk Tolerance	The amount of risk the Municipality is capable of bearing (as opposed to the amount of risk it is willing to bear)
Assurance Providers	Independent opinion on the effectiveness of risk management by the internal auditor, external auditor (AGSA) and any other internal and external independent assurance providers.

Section 2

2.1 Purpose of the policy - The policy has been developed in terms of the following legislature and guidelines:

- **MFMA** - sections 62(1)(c)(i) and 95(c)(i)
- **The Public Sector Risk Management Framework** - Treasury Guideline
- **King IV**

The Policy also incorporates the requirements of the Batho-Pele principles and aims to support Municipality to improve and sustain their performance by enhancing their systems of risk management to protect against adverse outcomes and optimize opportunities.

2.2 Applicability – the policy is applicable because the Municipality is expected to develop its system of risk management by adopting the said principles and standards and adapting the models and operational practices to match its specific Institutional requirements.

2.3 Background and Objectives - The Municipality operates in the public sector environment which is burdened with unique challenges such as inadequate capacity, excessive bureaucracy and silo mentality, limited resources, competing priorities and infrastructure backlogs to mention a few. Such difficulties increase the risk profile of the public sector as a whole and place an extra duty of care on public sector managers to contain risks within acceptable limits.

It is becoming increasingly difficult for the management of a municipality to accurately predict the future; to anticipate future threats and weaknesses and the negative impact these can have on the municipality and all of its stakeholders.

Recently the world have witnessed a pandemic or disaster (COVID-19) that has disrupt all operations within public and private sector, as a result of the disaster the municipality and stakeholders do not want to be caught unaware by risk event, It has become necessary to adopt a firm position on how the uncertainty of the future and the adverse implication that it may hold can be managed in the most effective, efficient and proactive way possible and to protect the Municipality and its stakeholders against any possible future adverse and unforeseen occurrence. Hence, it's one of the intentions of this policy to give reasonable assurance in business continuity of the Municipality in such similar or future disasters.

Change is often beyond the control of the management but the risk that it creates needs to be managed, therefore identifying the emerging risks associated with such threats or event is necessary. Prevention, minimisation, and avoidance are often simpler, less painful, less costly and more successful than cure.

With implementation of the policy, following the approach indicated on section 4 (4.1) of the policy, the Municipality will achieve and improve on the following issues:

2.3.1 Be more sustainable and reliable on delivery of services
2.3.2 Informed decision underpinned by appropriate rigor and analysis
2.3.3 Be innovative (technologically advanced)
2.3.4 Reduce waste
2.3.5 Prevention of fraud and corruption
2.3.6 Have better value for money by using resources efficiently.
2.3.7 Have better outputs and outcomes through improved project and programme management

Section 3

3.1 Key Role Player's Responsibilities

3.1.1 Municipal Council - The Executive Council must obtain an interest in risk management of the Municipality to the extent necessary to obtain comfort that proper functioning systems of risk management are established and in place to protect the Municipality against significant risks.

Responsibilities of the Executive Council in risk management shall include the following:

a. Approve the risk management policy.
b. Approve the fraud prevention policy.
c. Ensuring that the Institutional strategies are aligned to the government mandate.
d. Obtaining assurance from management that the Municipality's strategic choices were based on a rigorous assessment of risk.
e. Obtaining assurance that key risks inherent in the Municipality's strategies were identified and assessed and are being properly managed.
f. Assisting the Accounting Officer to deal with fiscal, intergovernmental, political and other risks beyond their direct control and influence.
g. Insisting on the achievement of objectives, effective performance management and value for money.
h. Adopt combined assurance model which involve all stakeholders in achieving municipal objectives.

3.1.2 Audit committee - The Audit Committee is an independent committee responsible for oversight of the Municipality's control, governance and risk management. The responsibilities of the Audit Committee with respect to risk management should be formally defined in its charter.

3.1.3 Other Key Role Player's Responsibilities – the following key role player's responsibilities in the Municipal risk management process will be explained in details in the risk management strategy of the Municipality:

- Accounting officer
- Risk Management, Anti-fraud and corruption Committee
- Chief Risk Officer
- Management
- Other officials
- Risk Champions
- Internal Audit
- External Audit (AGSA)
- Provincial Treasury

Section 4

4.1 Enterprise-wide risk management (ERM) – ERM is a broad-based application of risk management in all major functions and activities of the Institution, rather than only in selected areas, to cut off the material risks. ERM also calls for the Municipality to look beyond itself, requiring the consideration of risks regarding performance regardless of whether risk is internally or externally generated.

Formal channels of communication and cooperation should exist within the Municipality to facilitate combined effort between the Risk Management Unit and Risk Management Committee, and internal formations concerned with risk mitigation, including but not limited to formations responsible for:

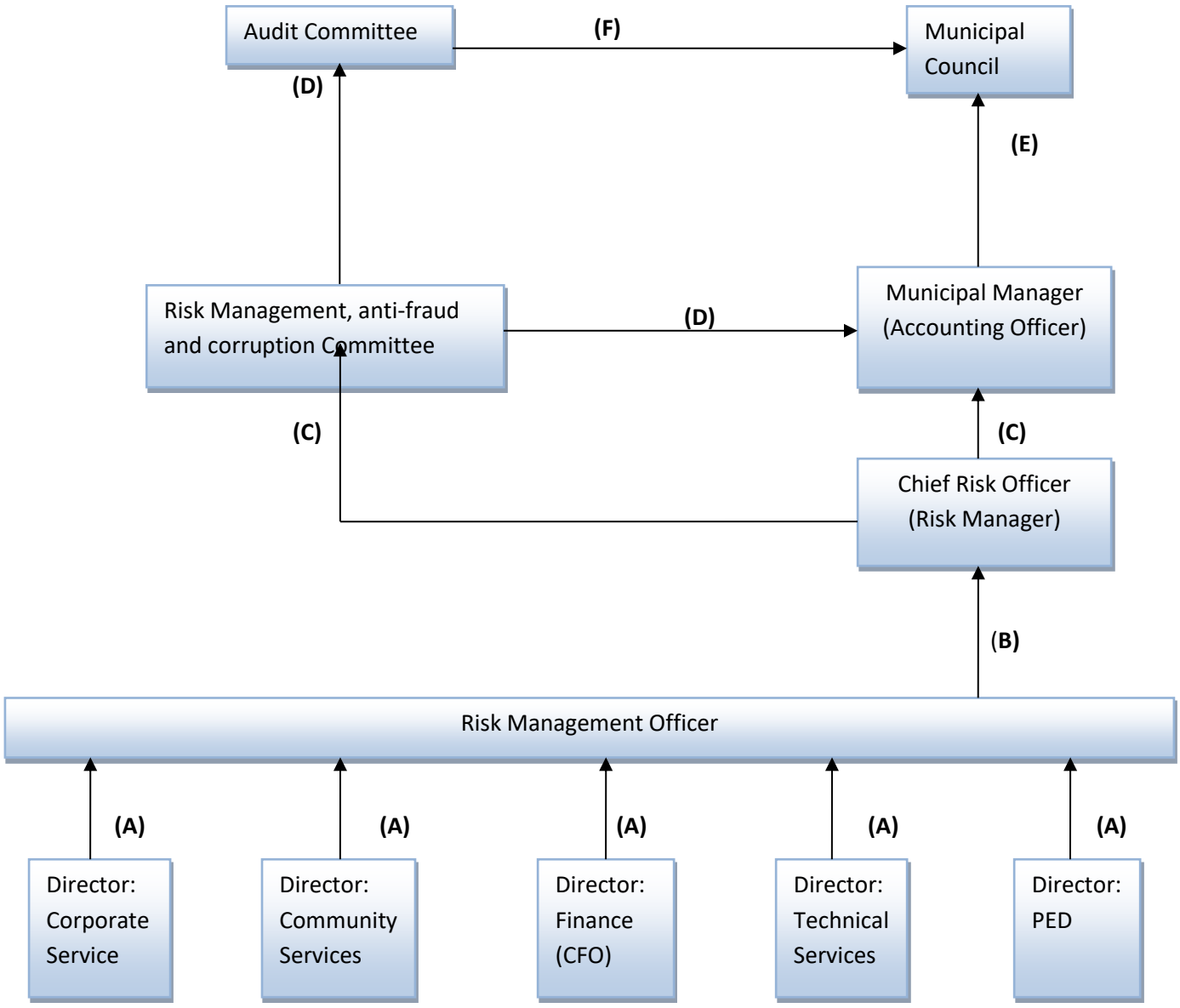
i. Occupational health and safety.
ii. Business continuity management.
iii. Prevention of fraud and corruption; and
iv. Awarding of tenders.

4.2 Performance and Evaluation of Risk Management – risk management's performance and evaluation will be determined by comparing the key role players and Responsibilities indicated in section 5 of the policy against implementation of section 5.

4.3 Reporting lines – for the Municipality to have an effective and efficient Risk Management system, a proper reporting structure need to be designed and implemented in order to communicate and give attention to all level of management in the Municipality with regards to issues of Risk Management. The structure (figure 1) below shows the reporting lines of Risk Management within the institution:

- A – Risk Management Officer provide support function to all Department;
- B – Risk Officer report to Chief Risk Officer (Manager);
- C – CRO report to the Municipal Manager on functional activities and the Risk Management, anti-fraud and corruption Committee on risk management operational activities;
- D – Risk Management, anti-fraud and corruption Committee report to Municipal Manager and the Audit Committee;
- E – Municipal Manager Report to the Municipal Council;
- F – Audit Committee report/advice to the Municipal Council.

Figure 1



4.4 POPI ACT- The Act applies to any person or organisation who keeps any type of records relating to the personal information of anyone, unless those records are subject to other legislation which protects such information more stringently.
It therefore sets the minimum standards for the protection of personal information. It regulates the "processing" of personal information. "Processing" includes collecting, receiving, recording, organizing, retrieving, or using such information; or disseminating, distributing or making such personal information available.

What constitutes as personal information under the POPI act?

- Identity or passport number
- Date of birth and age
- Phone numbers
- Email address
- Online messaging identities
- Physical address
- Gender, race and ethnic origin
- Photos, voice recordings, video footage
- Marital relationship and family relations
- Criminal record
- Private correspondence
- Religious or philosophical beliefs including personal and political opinions
- Employment history and salary information
- Financial information
- Education information
- Physical and mental health information including medical history
- Membership of organisations

Section 5

5.1 Implementation of the policy - The policy will be communicated throughout the municipality during monthly departmental meetings. It will also be posted on the Municipal Website for the purpose of ease accessibility, awareness and education for the users.

5.2 Review of the policy - The risk management policy will be reviewed every 5 years (with alignment to the political term) or as when there is a change in the prescribed norms and standard governing it existence to ensure that it remains current and relevant to all legislature and guidelines of Risk Management in the Public Sector.

5.3 Approval of the policy - The approval of this policy rest with the Municipal council and the Municipal Manager with recommendation of the Risk Management, Anti-Fraud and Corruption Committee.

Authority	Date
Recommended by Chairperson of Risk Management Committee:	
Approved by Municipal Manager: Mr M. Kunene	
Approved by Council	**Council resolution number** **LM 899/07/2025**