MSUKALIGWA LOCAL MUNICIPALITY



RISK MANAGEMENT STRATEGY 2026/27

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Note to the user: These document 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.

Definitions: In this strategy, 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 / Authority, 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 factors. 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 / Authority 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)
Strategy	Msukaligwa Local Municipality Risk Management Strategy

1. INTRODUCTION

Risk Management is regarded as a central part of any organization's strategic management. It is a process whereby an organization both methodically and intuitively addresses the risk attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of activities.

The risk management strategy outlines on how the Municipality will go about implementing its risk management policy. The strategy is informed by the risk management policy and the institution's risk profile.

2. OBJECTIVES

The primary objective of risk management strategy is to assist the execution of risk management. The risk management strategy for the Municipality was prepared to give effect to the implementation of the risk management policy and sets out all risk management activities, reporting structure, accountability, monitoring and assurance activities planned for the related financial year.

3. BENEFITS OF RISK MANAGEMENT

The risk management process can make major contributions towards helping the municipality achieve its objectives.

The benefits include:

- More sustainable and reliable delivery of services;
- Informed decision making and planning which are underpinned by appropriate rigour and analysis;
- Improved health and safe working environment;
- Prevention of fraud and corruption;
- Fewer surprises and crises;
- Help avoid damage to the municipality's reputation and image;
- Helps ensure effective reporting and compliance with laws and regulations;
- Better value for money through more efficient use of resources; and
- Better outputs and outcomes through improved project and programme management.

4. RISK MANAGEMENT PROCESS FRAMEWORK

In carrying out Enterprise Risk Management the municipality adopts the Public Sector Risk Management Framework. This framework provides a structured approach to identifying and managing risk within preset risk appetite and tolerance levels. The key components of the framework are briefly explained below:

4.1. Internal Environment;

The internal environment encompasses the tone of an organization, and sets the basis for how risk is viewed and addressed by an entity's people, including risk management philosophy and risk appetite, integrity and ethical values and the environment in which they operate.

4.2. Objective Setting

Objectives must exist before management can identify potential events affecting their achievement. Enterprise Risk Management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with the risk appetite.

4.3. Risk Identification

Risk identification is a deliberate and systematic effort to identify and document the Municipality's key risks. The objective of risk identification is to understand what is at risk within the context of the Municipality's explicit and implicit objectives and to generate a comprehensive inventory of risks based on the threats and events that might prevent, degrade, delay or enhance the achievement of the objectives.

The municipality should adopt a rigorous and ongoing process of risk identification that also includes mechanisms to identify new and emerging risks timeously.

The risk identification process should cover all risks, regardless of whether or not such risks are within the direct control of the Institution. Risk workshops and interviews will be used for identifying, filtering and screening risks, but it is important that the judgmental based techniques be supplemented by more robust and sophisticated methods where possible, including quantitative techniques.

The center of attention of risk identification is to ensure comprehensiveness of risk identification, the Municipality should identify risk factors through considering both internal and external factors, through appropriate processes of:

4.3.1. Strategic risk identification to identify risks emanating from the strategic choices made by the Institution, specifically with regard to whether such choices weaken or strengthen the Institution's ability to execute its Constitutional mandate:

i. Strategic risk identification should precede the finalization of strategic choices to ensure that potential risk issues are factored into the decision making process for selecting the strategic options;

ii. Risks inherent to the selected strategic choices should be documented, assessed and managed through the normal functioning of the system of risk management; and

iii. Strategic risks should be formally reviewed concurrently with changes in strategy, or at least once a year to consider new and emerging risks.

4.3.2. **Operational risk identification** to identify risks concerned with the Municipality's operations:

i. Operational risk identification should seek to establish vulnerabilities introduced by employees, internal processes and systems, contractors, regulatory authorities and external events;

ii. Operational risk identification should be an embedded continuous process to identify new and emerging risks and consider shifts in known risks through mechanisms such as management and committee meetings, environmental scanning, process reviews and the like; and

iii. To the extent that 4.3.2 (ii) is deemed inadequate to expose the full extent of risk introduced by significant environmental or Institutional changes, operational risk identification should be repeated when changes occur, or at least once a year, to identify new and emerging risks.

4.3.3. **Project risk identification** to identify risks inherent to particular projects:

i. Project risks should be identified for all major projects, covering the whole lifecycle; and

ii. For long term projects, the project risk register should be reviewed at least once a year to identify new and emerging risks.

4.4. Risk Assessment

Risk assessment is a systematic process to quantify or qualify the level of risk associated with a specific threat or event, to enrich the risk intelligence available to the Institution. The main purpose of risk assessment is to help the Municipality to prioritize the most important risks as the Municipality is not expected to have the capacity to deal with all risks in an equal manner.

4.4.1. Risks should be assessed on the basis of the likelihood of the risk occurring and the impact of its occurrence on the particular Institutional objective(s) it is likely to affect (See Annexure A and B). Risks should be expressed in the same unit of measure used for the key performance indicator(s) concerned. Risk assessment should be performed through a three stage process:

i. Firstly, the inherent risk should be assessed to establish the level of exposure in the absence of deliberate management actions to influence the risk (See Annexure D);

ii. Secondly, a residual risk assessment should follow the process described in 4.4.1 (i) to determine the actual remaining level of risk after the mitigating effects of management actions to influence the risk (See Annexure E); and

iii. Thirdly, the residual risk should be benchmarked against the Municipality's risk appetite to determine the need for further management intervention, if any.

4.4.2. Risk assessment should be strengthened where possible by supplementing Management's perceptions with the risks, inter alia, with:

i. Review of external and internal audit reports;
ii. Review of the reports of the Standing Committee on Public Accounts and the relevant Parliamentary Committee(s);
iii. Financial analyses;
iv. Historic data analyses;
v. Actual loss data;
vi. Interrogation of trends in key performance indicators;
vii. Benchmarking against peer group or quasi peer group;
viii. Market and sector information;
ix. Scenario analyses; and
x. Forecasting and stress testing.

4.4.3. Risk assessments should be re-performed for the key risks in response to significant environmental and/or organizational changes, but at least twice a year, to ascertain the shift in the magnitude of risk and the need for further management action as a result thereof.

4.5. **Risk Response**

Risk response is concerned with developing strategies to reduce or eliminate the threats and events that create risks (Refer to annexure F & G for further explanations).

4.5.1. Management should develop response strategies for all material risks, whether or not the management thereof is within the direct control of the Institution, prioritizing the risks exceeding or nearing the risk appetite level. Where the management of the risk is within the control of the Institution, the response strategies should consider:

i. Avoiding the risk by, for example, choosing a different strategy or terminating the activity that produces the risk;
ii. Treating the risk by, for example, implementing or improving the internal control system;
iii. Transferring the risk to another party more competent to manage it by, for example, contracting out services, establishing strategic partnerships and buying insurance;

iv. Accepting the risk where cost and strategy considerations rule out alternative strategies; and

v. Exploiting the risk factors by implementing strategies to take advantage of the opportunities presented by such risk factors.

4.5.2. In instances where the management of risk is not within the control of the Institution, the response strategies should consider measures such as forward planning and lobbing.

4.5.3. Response strategies should be documented and the responsibilities and timelines attached thereto should be communicated to the relevant persons.

4.5.4. Without derogating from the above, everyone in the Municipality should also have responsibilities for maintaining effective systems of internal controls, consistent with their delegated authority. Management should develop the internal control architecture through:

i. **Preventative controls -** to prevent errors or irregularities from occurring e.g. physical security of assets to prevent theft;

ii. **Detective controls -** to find errors or irregularities after they have occurred e.g. performance of reconciliation procedures to identify errors; and

iii. **Corrective controls -** that operate together with detective controls to correct errors or irregularities.

4.5.5. The internal control architecture should include:

i. Management controls - to ensure that the Municipality's structure and systems support its policies, plans and objectives, and that it operates within laws and regulations;

ii. Administrative controls - to ensure that policies and objectives are implemented in an efficient and effective manner;

iii. **Accounting controls -** to ensure that resources are accounted for fully and transparently and are properly documented; and

iv. **Information technology controls -** to ensure security, integrity and availability of information.

4.6. Communication and Reporting

Relevant information, properly and timorously communicated is essential to equip the relevant officials to identify, assess and respond to risks. The Municipality's risk communication and reporting process should support enhanced decision making and accountability through:

i. **Dissemination of relevant, timely, accurate and complete information; and**

ii. **Communicating responsibilities and actions.**

4.7. **Monitoring**

Monitoring concerns checking on a regular basis to confirm the proper functioning of the entire risk management system. Monitoring should be effected through ongoing activities or separate evaluations to ascertain whether risk management is effectively practiced at all levels and across the Municipality in accordance with the risk management policy, strategy and plan.

4.7.1. Monitoring activities should focus on evaluating whether:

i. Allocated responsibilities are being executed effectively;

ii. Response strategies are producing the desired result of mitigating risks or exploiting opportunities; and

iii. A positive correlation exists between improvements in the system of risk management and Institutional performance.

5 RISK MANAGEMENT STRATEGY CONSIDERATIONS

The Municipality adopts a Strategy to implement Risk Management based on the following considerations, which are explained below in detail:

- Risk Management Philosophy
- Risk Management roles and responsibilities
- Establishment of a Risk Management Committee and other oversight committees in its disposal.
- Education and awareness on risk management
- Risk Management Process
- Establishment of a systematic process of risk monitoring (this can be a manual process in the absence of Risk Management Software available in the market that can automate the monitoring process with less human intervention). This is entirely a cost/benefit analysis choice to be made by the Municipality it'self.
- Develop an internal control framework guideline with the assistance of the assurance unit (Internal).
- Independent assurance of the risk management process

6 INTERNAL ENVIRONMENT

6.1. Risk Management Philosophy

Enterprise Risk Management will provide the Municipality with tools and other capabilities to identify, assess and develop action plans or response strategies to manage the entire range of identified risks and ensure that the organization as a whole understands how to manage risk. This will provide the Municipality with the mechanisms to attain the following:

- A portfolio of manageable risks
- Support structure to ensure proper and effective implementation of risk management processes.
- Proper direction of management's efforts and enhanced results or achievements of objectives.
- Management accountability towards management of risks (Assignment of risk owners/drivers to specific risks within the risk register)
- Allocation of resources to priority issues according to prioritized risks
- Efficient and effective use of the Internal Audit Assurance unit in directing resources of the organization through a risk based audit plan approach.

6.2. Risk Appetite

6.2.1. The risk appetite is the amount of risk the Municipality is willing to accept and what risks it will not accept in pursuing its objectives. The risk appetite is expressed in terms of inherent risk which excluded the impact of management actions and control effectiveness or residual risk which is considered after control effectiveness and management actions have been taken into account. Inherent/Residual risk is the product of Impact and Likelihood and control effectiveness if they are considered or are in place. Inherent risk exposure is the product of Impact and Likelihood prior controls whereas Residual Risk exposure is after consideration of controls.

6.2.2. The Municipality's risk appetite is directly linked to its strategic direction and addresses the Municipality's material risks, setting clear boundaries and expectations by establishing quantitative limits and qualitative statements. The Municipality will set its Risk Appetite at medium level 10 and any risk higher than the rating level of 10 will not be accepted

6.2.3. Risk Ratings Legend and Explanations

6.2.3.1. Unacceptable Risks

Risk index	Risk magnitude	Risk acceptability	Proposed actions
21-25	Maximum risk	Unacceptable	Take action to reduce risk with highest priority
15 - 20	High Risk	Unacceptable	Take action to reduce risk with highest priority

10-14	Medium risk	Unacceptable	Take action to reduce risk, inform management.

6.2.3.2. Acceptable Risks

5-9	Low risk	Acceptable	No risk reduction – control, monitor, inform management.
1-4	Minimum risk	Acceptable	No risk reduction - control, monitor, inform management.

6.2.4. As and when risks are identified, action plan will be developed to address the residual risk for medium, high and maximum risks.

6.3. Risk Tolerance

Risk tolerance is based on the municipality's financial strength and its ability to withstand shocks. The risk tolerance of the organization is as follows:

Risk index	*Risk magnitude*	*Risk acceptability*	*Proposed actions*
21 – 25	Maximum risk	Unacceptable	Take action to reduce risk with highest priority.
15 – 20	High risk	Unacceptable	
10 – 14	Medium risk	Unacceptable	Take action to reduce risk, inform management.
5 – 9	Low risk	Acceptable	No risk reduction - control, monitor, inform management.
1 – 4	Minimum risk	Acceptable	No risk reduction - control, Monitor, inform management.

7 THE RISK MANAGEMENT STRATEGY

The development of a Risk Management Strategy will also ensure that the Municipal staff understand and are able to reflect conformity to risk management principles contained within the Risk Management Strategy as well as improve the risk maturity within the municipality. This behavioral pattern will be reflected in the actions as they pursue objectives of the municipality. The risk management philosophy to be adopted by staff will be entrenched in staff actions through considerations of the following principles:

- Consideration of the impact of the action in the context of risk management;
- Risk conscious decision making

- Consideration of the pervasive nature of individual unit's action or decision on other business units or municipality as whole.
- Promotion of risk reporting through the relevant municipal risk management structures up to Executive Management Level.
- Maintaining a balance-score card or risks to give management a dashboard overview of Municipalities' risks.
- Promotion of ownership and accountability for risk and risk management at the business unit or other point of influence level or such level as assigned in the risk register. Deferment of risk is not acceptable practice for effective implementation of risk management.
- Monitor compliance with policies, processes and procedures and the state of enterprise risk management through regular reporting in accordance with the designed risk management structures and relevant oversight committees.
- Maintain records of lessons learned and report on any significant risk management deficiencies or deviation to Municipalities risk management processes.
- Update the risk register on a regular basis and as and when the need arise depending on the urgency of importance of the identified risk considering the impact on the organization.
- Embed and embrace enterprise risk management as mandatory and not an option. If necessary ensure that performance contracts which are mapped to the organizations objectives incorporates an element of risk management.
- That enterprise risk management is mandatory, not optional
- Create and awareness to ensure that every staff of the municipality is aware of their roles and responsibility towards risk management.

7.1 THE STRATEGY

The strategy with regards to risk management in the municipality should include the follow the process below:

7.1.1. Review of the Risk Management Framework

All documents that form part of the Risk Management Framework will be reviewed, to ensure that risk management complies with the guidelines and applicable legislation.

7.1.2. Creating of risk awareness amongst officials and Councilors

To ensure a positive contribution of all risk management processes and awareness about the importance of risk management is communicated amongst all role players' Role player should be capacitated where necessary.

7.1.3. Review of the enterprise risk register

A risk identification workshop will be arranged for personnel and councilors to review the Enterprise Risk Register and finalize the register for the financial year.

All possible risks that may hamper the achievement of the objectives of the municipality need to be identified.

7.1.4. Risk Rating

Once all the possible risks have been identified, the risks will be rated in terms of the risk rating tables.

7.1.5. Risk Tolerance

After the risk rating, members of the Risk Management Committee and relevant managers, will by means of a rigorous process of analysis and expert judgement, establish the municipality's risk tolerance level with regards to every risk.

lf this process is finalized, all the risks facing the municipality will be categorized in:.

- Ten most important risks (Strategic risks).
- Unacceptable risks
- Tolerable risks.
- Acceptable risks
- Management Strategy

7.1.6. Risk Management Action Plans (Mitigating Strategies)

It will be expected from Risk and Action owners to compile action plans on how to mitigate the strategic risks, unacceptable risks as well as the tolerable risks in their respective departments.

7.1.7. Reporting to the Audit Committee and Council

The Audit committee and council will be informed of the strategic risks, and unacceptable risks. Risk Owners need to submit action plans to mitigate the strategic risks to Risk Committee, Audit Committee and Council, as this will allow the monitoring of the risk mitigation process.

7.1.8. Reporting

Quarterly progress reports must be submitted by Risk Owners to the Risk Management Unit. The Risk Management Unit will include the reports in the agenda of the Risk Management Committee. The Risk Management Committee will submit reports to the Municipal Manager, the Audit Committee, and then audit committee will submit them to the Council. This will be done in accordance with the Combined assurance model.

7.1.9. Evaluation and monitoring

It is expected from Risk owners, the Risk Management Committee, the Accounting Officer as well as Section 79 Committees and Council to monitor and evaluate progress with regards to the mitigation of risks.

7.1.10. Assurance Activities

a. **Internal Audit** - The role of the Internal Auditing in risk management is to provide an independent, objective assurance on the effectiveness of the Municipality's system of risk management:

i. Internal Auditing must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

ii. Internal Auditing must develop its internal audit plan on the basis of the key risk areas.

b. **External Audit** - The external auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management. In providing the audit opinion, the Auditor-General usually focuses on:

i. Determining whether the risk management policy, strategy and implementation plan are in place and are appropriate;

ii. Assessing the implementation of the risk management policy, strategy and implementation plan;

iii. Reviewing the risk identification process to determine if it is sufficiently robust to facilitate the timely, correct and complete identification of significant risks, including new and emerging risks;

iv. Reviewing the risk assessment process to determine if it is sufficiently robust to facilitate timely and accurate risk rating and prioritization; and

v. Determining whether the management action plans to mitigate the key risks are appropriate, and are being effectively implemented

7.1.11. Updating the Risk Management Framework including the Enterprise Risk Register

All documentation pertaining to the Risk Management Framework and the Enterprise Risk Register will be formally reviewed and updated on an annual basis. It should be noted that risk management is an on-going process therefore departments will be encouraged to bring to the attention of the Risk Management Unit any emerging or new risks that the department faces, for noting.

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

7.3 **Review of the strategy** - The risk management strategy will be reviewed annually provided of the 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.

8. RISK MANAGEMENT MATURITY

The development of a Risk Management Strategy will also ensure continuous improvement to ensure acceptable risk maturity level, the Municipality will take following strategy to ensure that the Municipality achieve acceptable risk management maturity level;

8.1. The Municipality have developed a Risk Management maturity checklist which is in line with the Financial Management Capability Maturity Model developed by Mpumalanga Provincial Treasury.

8.2. The developed Risk Management maturity checklist is completed annually and submitted to top management with the gaps identified, management develop mitigation strategies to address the gaps identified.

8.3. A comprehensive report on Risk Management Maturity level is then submitted to risk management committee for further consideration.

8.4. Completion of the Risk Management Maturity checklist will form part of the risk management implementation plan activities to ensure proper implementation and monitoring on risk management maturity by Management, Risk Management Committee, Audit Committee and other Assurance Providers.

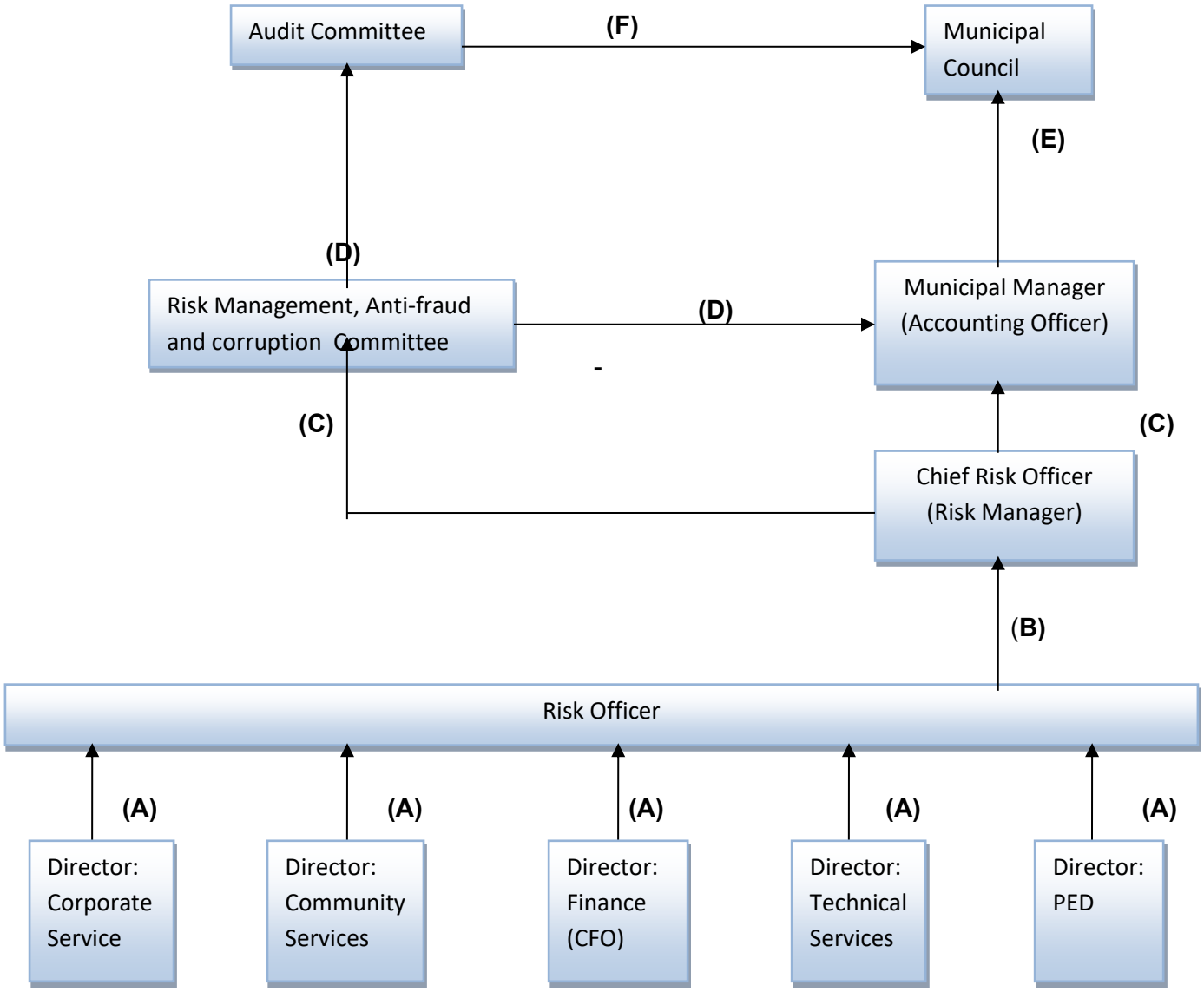
9. RISK MANAGEMENT MAIN COMPONENTS

9.1. Reporting Structure

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 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 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



9.2. Combined assurance can be defined as integrated, coordinating and aligning the risk management and assurance processes within the municipality to optimise and maximise the level of risk, governance and control oversight over the municipality's risk landscape.

9.3 BENEFITS OF COMBINED ASSURANCE

By effectively implementing combined assurance, a number of tangible benefits that extend well beyond proving compliance can be realized, including among others:

- More coordinated and relevant assurance efforts focusing on key risk exposures;
- Minimising business/operational disruptions;
- A comprehensive and prioritised approach in tracking remedial actions on identified improvement opportunities/weaknesses.
- Improved reporting to the Council/ Accounting Authority and committees, including reducing the repetition of reports being reviewed by different committees;
- A possible reduction in assurance costs; and
- Support the audit and risk committee and the accounting officer in making their control statements in the integrated report

9.3. Accountability, Roles and Responsibilities

This component of the strategy describes the authority and delegation of responsibilities to give effect to the risk management policy. The below indicated role players are discussed in more details with regard to their accountability, roles and responsibilities to risk management:

- Municipal Council
- Accounting Officer
- Audit committee
- Risk Management, Anti-fraud and corruption Committee
- Chief Risk Officer
- Management
- Risk Champions
- Internal Audit
- External Audit
- Provincial Treasury

8.2.1. **Municipal Council -** The Executive Authority 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 Authority 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.

8.2.2. Accounting Officer - The Accounting Officer is the ultimate Chief Risk Officer of the Municipality and is accountable for the Institution's overall governance of risk. The responsibilities of the Accounting Officer shall include the following:

a. Delegate responsibilities for risk management to Management and internal formations such as the Risk Management Committee, Fraud Prevention Committee, Finance Committee, Information and Communication Technology Committee.
b. Holding Management accountable for designing, implementing, and monitoring and integrating risk management into their day-today activities.
c. Providing leadership and guidance to enable Management and internal structures responsible for various aspects of risk management to properly perform their functions;
d. Ensuring that the control environment supports the effective functioning of risk management;
e. Recommend for approval of the risk management policy, strategy, and implementation plan;
f. Recommend for approval of the fraud prevention policy, strategy and implementation plan;
g. Approving the risk management strategy and implementation plan;
h. Approving the fraud prevention strategy and implementation plan;
i. Approving the Institution's risk appetite and risk tolerance;
j. Devoting personal attention to overseeing management of the significant risks;
k. Leveraging the Audit Committee, Internal Audit, External Audit and Risk Management Committee for assurance on the effectiveness of risk management;
l. Ensuring appropriate action in respect of the recommendations of the Audit Committee, Internal Audit, External Audit and Risk Management Committee to improve risk management;
m. Providing assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated;

8.2.3. 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.

8.2.4. Risk Management Anti-fraud and corruption Committee - The Risk Management, anti-fraud and corruption Committee is a management committee, chaired by an independent person appointed by the Accounting Officer to assist the Municipality to discharge their responsibilities for risk management. The responsibilities of the Risk Management anti-fraud and corruption Committee should be formally defined in a charter approved by the Accounting Officer.

8.2.5. Chief Risk Officer - The primary responsibility of the Chief Risk Officer is to bring to bear his / her specialist expertise to assist the Municipality to embed risk management and leverage its benefits to enhance performance.
The responsibilities of the Chief Risk Officer shall include the following:

a. To work with senior management to develop the Municipality's vision for risk management.
b. To develop, in consultation with management, the Municipality's risk management framework incorporating, ***inter alia***, the:
    i. Risk management policy;
    ii. Risk management strategy;
    iii. Risk management implementation plan;
    iv. Risk identification and assessment methodology;
    v. Risk appetite and tolerance and:
    vi. Risk classification.
c. Communicating the Municipality's risk management framework to all stakeholders in the Municipality and monitoring its implementation;
d. Facilitating orientation and training for the Risk Management Committee;
e. Training all stakeholders in their risk management functions;
f. Continuously driving risk management to higher levels of maturity;
g. Assisting Management with risk identification, assessment and development of response strategies;
h. Monitoring the implementation of the response strategies;
i. Collating, aggregating, interpreting and analyzing the results of risk assessments to extract risk intelligence;
j. Reporting risk intelligence to the Accounting Officer / Authority, Management and the Risk Management Committee; and
k. Participating with Internal Audit, Management and Auditor-General in developing the combined assurance plan for the institution

8.2.6. Management - Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management into the operational routines. The responsibilities of Management shall include the following:

a. Executing their responsibilities as set out in the risk management strategy;
b. Empowering officials to perform effectively in their risk management responsibilities through
c. Proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;
d. Aligning the functional risk management methodologies and processes with the Institutional process;
e. Devoting personal attention to overseeing the management of key risks within their area of responsibility;

f. Maintaining a co-operative relationship with the Risk Management Unit and Risk Champion
g. Providing risk management reports;
h. Presenting to the Risk Management and Audit Committees as requested;
i. Maintaining the proper functioning of the control environment within their area of responsibility;
j. Monitoring risk management within their area of responsibility; and
k. Holding officials accountable for their specific risk management responsibilities.

8.2.7 Other Officials - Other officials are responsible for integrating risk management into their day-today activities. The responsibilities of Other Officials shall include the following:

a. Applying the risk management processes in their respective functions;
b. Implementing the delegated action plans to address the identified risks;
c. Informing their supervisors and/or the Risk Management Unit of new risks and significant changes in known risks; and
d. Co-operating with other role players in the risk management process and providing information as required.

8.2.8 Risk Champions - Risk Champions should also add value to the risk management process by providing guidance and support to manage problematic risks and risks of a transversal nature that require a multiple participant approach. The responsibilities of Risk Champions shall include the following:

a. Shall be involved in the intervening in instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of institutional skills and expertise.
b. In order to fulfill his/her function, the Risk Champion should possess:
    i. A good understanding of risk management concepts, principles and processes
    ii. Good analytical skills;
    iii. Expert power
    iv. Leadership and motivational qualities; and
    v. Good communication skills.
c. The Risk Champion should not assume the role of the Risk Owner but should assist the Risk Owner to resolve problems.
d. Appointment of risk champions should be reviewed on an annually basis base of the performance.

8.2.9 Provincial Treasury - Provincial Treasury has specific functions in terms of and sections 5(2) and 34 of the MFMA to:

i. Prescribe uniform norms and standards;
ii. Monitor and assess the implementation of the MFMA;
iii. Assist Institutions in building their capacity for efficient, effective and transparent financial management; and
iv. Enforce the MFMA.

a. National Treasury should monitor and assess, among other things, the implementation of risk management, including any prescribed norms and standards.
b. With respect to capacity building**,** the National Treasury should assist national departments, national public entities, Constitutional institutions, municipalities and municipal entities in building their capacity for, among other things, efficient, effective and transparent risk management.
c. With respect to enforcement, the National Treasury should enforce the legislation and any prescribed norms and standards for, among other things, risk management in national departments, national public entities, Constitutional institutions, municipalities and municipal entities**.**
d. In addition, the National Treasury may do anything further that is necessary to fulfill its responsibilities effectively.

9. Communication and reporting

REPORTING TYPE	**REPORT SUBMITTED TO**	**FREQUENCY**
Monthly Risk report	Departmental meetings	Monthly
Quarterly Risk report	Risk management and antifraud corruption committee	Quarterly
Quarterly Risk Report	Audit Committee	Quarterly
Quarterly Risk report	Council	Quarterly

10. Review of the policy/strategy - The Risk Management Strategy will be reviewed every 5 years (with alignment to the political term) or as and when required to incorporate changes 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 Public Sector.

11. Approval of the strategy - The approval of this policy rest with the Municipal Manager with recommendation of the Risk Management 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**

10. Annexure(s)

10.1. Annexure A: Potential Loss / Impact

Severity Ranking	***Assessment***	***Factor***
Critical	Negative outcomes or missed opportunities that are of critical importance to the achievement of objectives	**5**
Major	Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives	**4**
Moderate	Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives	**3**
Minor	Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives	**2**
Insignificant	Negative outcomes or missed opportunities that are likely to have a relatively negligible impact on the ability to meet objectives	**1**

10.2. Annexure B: Likelihood

Likelihood category	***Category definition***	***Factor***
Common	The risk is already occurring, or is likely to occur more than once within the next 12 months	**5**
Likely	The risk could easily occur, and is likely to occur at least once within the next 12 months	**4**
Moderate	There is an above average chance that the risk will occur at least once in the next three years	**3**
Unlikely	The risk occurs infrequently and is unlikely to occur within the next three years	**2**
Rare	The risk is conceivable but is only likely to occur in extreme circumstances	**1**

10.3. Annexure C: Perceived control effectiveness

Score	**Factor**	**Criteria**
0%	No control	There are no controls in place
1-20%	Controls not effective	There are limited controls in place with major deficiencies
21-40%	Controls needs improvement	There are controls in place but they are either not effective or not being adhered to
41-60%	Controls are adequate	There are controls in place but they require improvement to make them effective

61-80%	Effective	There are controls in place and they are implemented and are effective
81-90%	Highly effective	There are controls in place and they are implemented and are highly effective

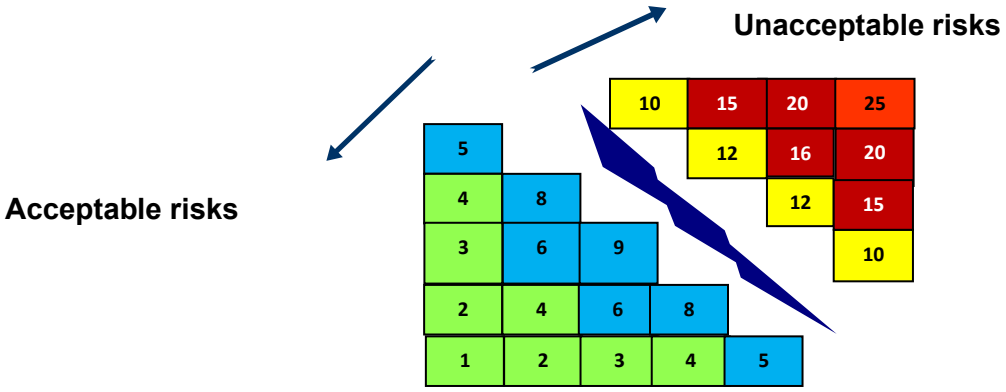
10.4. Annexure D: Inherent risk exposure (Impact x Likelihood)

Inherent risk exposure	*Factor*
Maximum	**21-25**
High	**15 -20**
Medium	**10-14**
Low	**5-9**
Minimum	**1-4**

10.5. Annexure E: Residual risk exposure (Inherent risk x control effectiveness)

Residual risk exposure	*Factor*
Maximum	**21-25**
High	**15 -20**
Medium	**10-14**
Low	**5-9**
Minimum	**1-4**

10.6. Annexure F: Risk acceptance criteria



10.7. Annexure G: Risk acceptability Proposed actions.

Risk index	*Risk magnitude*	*Risk acceptability*	*Proposed actions*
20 – 25	Maximum risk	Unacceptable	Take action to reduce risk with highest priority,
15 – 19	High risk	Unacceptable	
10 – 14	Medium risk	Unacceptable	Take action to reduce risk, inform management.
5 – 9	Low risk	Acceptable	No risk reduction - control, monitor, inform management.
1 – 4	Minimum risk	Acceptable	No risk reduction - control, Monitor, inform management.