



**MOQHAKA LOCAL MUNICIPALITY  
RISK MANAGEMENT POLICY**

**2025-26**

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## 1. DEFINITION OF TERMS

**Accounting Officer:** The Municipal Manager.

**Audit and Performance Committee:** An independent committee constituted to review the control, governance and risk management within Mangaung Metropolitan Municipality (MMM), established in terms of section 166 of the MFMA.

**Chief Risk Officer:** A senior official who is the head of the Risk Management Unit.

**Council:** In relation to a municipality, the Municipal Council as referred to in section 18 of the Municipal Structures Act, and as defined in section 1 of the MFMA.

**Control:** A measure put in place by Management to give reasonable, but not absolute assurance, of the achievement of the MMM's performance objectives.

**Impact:** The effect or consequence of the risk.

**Inherent Risk:** The exposure arising from risk factors in the absence of deliberate management intervention(s) to exercise control over such factors.

**Integrated Development Plan (IDP):** A single, inclusive and strategic plan aimed at the integrated development and management of a municipality, as envisaged in Chapter 5 of the Municipal Systems Act.

**King IV:** The King Code of Corporate Governance for South Africa, 2016 for corporate governance best practice (specifically "Part 6.2: Supplement for municipalities).

**Likelihood:** The probability of the risk to materialise.

**MFMA:** Municipal Finance Management Act (Act No. 56 of 2003).

**MLM:** Moqhaka Local Municipality.

**Operational Risk:** Risks that affect the achievement of the SDBIP, mainly from inadequate or failed internal processes, actions of staff, loss of key personnel, failure of IT systems, failure of equipment, the actions of regulatory authorities, customers, suppliers and the public, as well as other external events that impact on the objectives.

**Other Official:** An official other than the Municipal Manager, Management, Chief Risk Officer and her staff.

**Residual Risk:** The exposure remaining after the mitigating effects of management intervention(s) to control such exposure i.e. the remaining risk after Management has put in place measures to control the inherent risk.

**Risk:** The effect of uncertainty on the achievement of the Municipality's IDP and SDBIP caused by the presence of risk factors; and/or the failure to optimize opportunities to enhance the achievement of the IDP and SDBIP.

**Risk Appetite:** The level of risk which is established through a rigorous analytical process (including consideration of cost vs benefit) that the Municipality is prepared and able to accept in furtherance of its objectives.

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**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.

**Risk Factor:** Any threat or event which creates, or has the potential to create risk.

**Risk Management:** A systematic, coordinated set of activities and methods used to direct an organization and to control risks, including a set of principles, a framework and a process.

**Risk Management Committee:** A Committee appointed by the Municipal Manager to apply specialist skills, knowledge and experience and assist him to dispose of his responsibilities for all matters concerned with the establishment, maintenance and functioning of the municipality's system of risk management, especially the management of priority risks.

**Risk Management Unit:** A business unit which reports to and supports the Chief Risk Officer to fulfil his/her functions.

**Risk Owner:** The person accountable for managing a particular risk linked to the objective(s) he/she is responsible for.

**Risk Tolerance:** The amount of risk the municipality is capable of bearing (as opposed to the amount of risk it is willing to bear).

**Service Delivery and Budget Implementation Plan (SDBIP):** A detailed plan approved by the mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget.

**Strategic Risk:** Risks connected with strategy selection, implementation or revision which affects the achievement of the IDP. Strategic risks occur both from poor business decisions as well as the failure to effectively implement decisions.

## **2. INTRODUCTION**

In terms of sections 62(1)(c)(i) and 95(c)(i) of the Municipal Finance Management Act (No 56 of 2003) (hereafter the MFMA), the Accounting Officer is required to ensure that the Municipality has and maintains an effective, efficient and transparent systems of risk management. Furthermore, this policy has incorporated policy contents requirement as provided by the National Treasury's Local Government Risk Management Framework and King IV Report on Corporate Governance.

Through this policy the Municipality puts into practice its commitment to implement risk management and institutionalise a culture of Integrated Risk Management (IRM) within the Municipality. This policy forms the basis for the accompanying Risk Management Strategy and Implementation Plan which is designed to help achieve the objective of implementing an effective IRM process and to ensure compliance with the legislative framework.

Risk Management is a systematic, coordinated set of activities and methods used to direct an organization and to control risks, including a set of principles, a framework and a process.

## **3. POLICY INTENT**

The intention of this policy cannot be to eliminate all risks to the Municipality. It is to assist personnel to manage the risks involved in all activities to maximise opportunities and minimise adverse consequences. Furthermore, the aim of this policy is to ensure that informed decisions with regard to the activities that are undertaken by personnel appropriately considers both risks and opportunities.

However, this Risk Management Policy forms part of the Municipality's internal control and governance arrangements. It sets out a high-level overview for managing risks within the Municipality. This policy outlines the outcomes and compliance obligations regarding the Risk Management for all employees.

#### **4. COMMITMENT STATEMENTS**

Moghaka Local Municipality is committed to the effective risk management and treatment of risks in order to achieve its objectives. Management of risk is the responsibility of all Executives Management, Senior Management and Employees.

Moghaka Local Municipality will make sure:

- 4.1 Risk Management is an integral part of the municipality's key business planning, resourcing and decision making processes;
- 4.2 There is a consistent and systematic approach to the management of risks across the municipality that Risk Management Strategy is followed and complied with;
- 4.3 Staff have the necessary training to allow them to participate in risk management activities;
- 4.4 That the municipality is honest in relation to the risks and challenges facing the municipality;
- 4.5 Employees become aware of the risks associated with their area of work and must manage these risks to be within tolerance level by using risk management response strategies outlined in the municipal's risk management strategy.

#### **5. POLICY OBJECTIVES**

- 5.1 To explain the Municipality's approach to risk management and ensure that it has a consistent and effective approach to risk management;
- 5.2 To ensure that the Municipality's culture and processes encourage the identification assessment and treatment of risks that may affect its ability to achieve its objectives;
- 5.3 To explain key aspects of risk management;
- 5.4 To clearly indicate the risk management reporting procedures;
- 5.5 To hold executive, management and officials accountable for the implementation of risk management on their area of responsibility;
- 5.6 To create an environment where all the Municipality's employees take responsibility for managing risk;
- 5.7 To create a more risk aware organizational culture through enhanced communication and reporting of risk;
- 5.8 To improve corporate governance and compliance with relevant legislation.

The implementation of this policy will provide Mangaung Metropolitan Municipality with a basis and a framework for:

- a) more confident and rigorous decision-making and planning;
- b) better identification of opportunities and threats;
- c) pro-active rather re-active management;
- d) more effective allocation and use of resources;
- e) improved management and reduction in loss and cost of risk;
- f) improved stakeholder confidence and trust; and

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- g) a clear understanding by all staff of their roles, responsibilities and authorities for managing risk.

**6. PRINCIPLES**

- 6.1 Risk management is recognised as an integral part of responsible management and therefore, Moqhaka Local Municipality adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Municipality’s Risk Management Strategy. It is expected that all Directorates’ operations and processes will be subject to the risk management strategy. It is the intention that these components work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.
- 6.2 Risk management must be embedded in the strategic planning of the Municipality.
- 6.3 As risk management is necessary for planning and decision making. Risk management must be embedded in all the decision making processes. Before decision is taken, the risks it poses must be identified.
- 6.4 The Municipality’s risk tolerance level must be determined by top management and outlined in the Risk Management Strategy.
- 6.5 All personnel must be willing and able to take calculated risks to achieve their own performance and the Municipality’s objectives and to benefit the Municipality. The associated risks of proposed actions and decisions must be properly identified, evaluated and managed to ensure that exposures are acceptable.
- 6.6 The Municipality will conduct a risk assessment on an annual basis with a review or re-assessment of the risks conducted on quarterly basis to ensure maximum mitigation thereof.
- 6.7 Risks will be owned and managed by the Directorates where the risk resides.

**7. ROLES AND RESPONSIBILITIES**

All officials within the Municipality have a responsibility for maintaining good internal controls and managing risks in order to achieve the Municipality’s objectives. The primary responsibility for the identification and management of risk however lies with Management. The Risk Management Strategy and Implementation Plan provides guidance on the steps required in order to comply with the policy directives.

Below is a summary of roles and responsibilities for key risk management role players:

<b>7.1 RISK MANAGEMENT OVERSIGHT</b>	
7.1.1 Council	- Provides policy, oversight and review of risk management. - Takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the Municipality against significant risks and to ensure the achievement of objectives as detailed in the IDP.
<b>7.2 RISK MANAGEMENT ADVISORY BODIES</b>	
7.2.1 Audit and Performance Committee	- The Audit and Performance Committee is an independent committee responsible for oversight of the Municipality’s controls, governance and risk management.

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	<ul style="list-style-type: none"><li>- The responsibilities of the Audit and Performance Committee with respect to risk management are formally defined in its charter.</li></ul>
7.2.2 Risk Management Committee	<ul style="list-style-type: none"><li>- The Risk Management Committee is appointed by the City Manager to assist in the discharge of their responsibilities for risk management.</li><li>- The responsibilities of the Risk Committee are formally defined in its terms of reference.</li></ul>
<b>7.3 RISK MANAGEMENT IMPLEMENTERS</b>	
7.3.1 City Manager	<ul style="list-style-type: none"><li>- The Municipal Manager is the ultimate Chief Risk Officer of the Municipality and assumes ownership of risk management.</li><li>- The Municipal Manager is accountable for the overall governance of risk within the Municipality.</li><li>- The Municipal Manager sets the tone for integrity, ethics and other factors of the control environment in the Municipality.</li></ul>
7.3.2 Management	<ul style="list-style-type: none"><li>- Management is ultimately accountable for managing risks within their areas of responsibilities, for executing their responsibilities outlined in the risk management strategy and integrating risk management into operational routines by modifying policies, procedures as well as performance and reward criteria to align to the risk management imperative.</li></ul>
7.3.3 Other Officials	<ul style="list-style-type: none"><li>- Other officials are responsible for integrating risk management into their day-to-day activities by e.g. ensuring conformance with controls.</li></ul>
<b>7.4 RISK MANAGEMENT SUPPORT</b>	
7.4.1 Chief Risk Officer (CRO)	<ul style="list-style-type: none"><li>- The CRO is the custodian of the Risk Management Policy, Risk Management Strategy and Implementation Plan and coordinating the risk management activities throughout the Municipality.</li><li>- The primary responsibility of the CRO is to assist the Municipality in institutionalising risk management and leveraging its benefits to enhance performance.</li></ul>
7.4.2 Risk Champion	<ul style="list-style-type: none"><li>- Risk Champion should not assume the role of the Risk Owner but should assist the Risk owner to resolve problems.</li><li>- Intervene in instances where the risk management efforts are being hampered within their directorates.</li></ul>
<b>7.5 RISK MANAGEMENT ASSURANCE PROVIDERS</b>	
7.5.1 Internal Audit	<ul style="list-style-type: none"><li>- The core role of Internal Audit in risk management is to provide an independent, objective assurance on the effectiveness of the Municipality's system of risk management.</li><li>- Internal Audit must evaluate and improve the effectiveness of the entire system of risk management and to provide recommendations for improvement where necessary.</li></ul>
7.5.2 External Audit	<ul style="list-style-type: none"><li>- The Auditor-General of South Africa (AGSA) provides an independent opinion on the effectiveness of risk management as part of the regulatory audit.</li></ul>

	- In providing the audit opinion, the AGSA usually focuses on determining whether the risk management policy, strategy and implementation plan are in place and are appropriate.
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## **8. OUTCOMES**

The expected outcomes of this policy are as follows:

- 8.1 The municipality has a credible Risk Register (Strategic, Operational, Fraud and Project) with associated mitigating strategies;
- 8.2 Executive leadership and Senior Management undertake a formal review and analysis of Strategic risks on an annual basis;
- 8.3 Senior Managers, Managers and other relevant staff undertake a formal review and analysis of Operational, Fraud and Project Risk Register;
- 8.4 Management review the progress of risk mitigating strategies quarterly through the use of the Risk Management Committee;
- 8.5 Post-event analysis is undertaken to capture 'lessons learned' from significant risk events.

## **9. REPORTING**

### **9.1 REPORTING BY THE CHIEF RISK OFFICER**

- 9.1.1 The Risk Owners must submit quarterly reports on risk management activities in their units to the Chief Risk Officer.
- 9.1.2 The Chief Risk Officer must consolidate, analyse and submit a quarterly report to the Risk Management Committee and Audit and Performance Committee on risk management activities not limited to the following:
  - a) What has been done to date to implement the control measures in different directorates;
  - b) The effectiveness of the control measure in addressing / eliminating / managing the identified risks;
  - c) Progress on the Risk Management Implementation Plan;
  - d) Reasons that the target date on the action plan could not be reached;
  - e) Any new potential risks that may arise in different directorates; and
  - f) To what extent a culture of risk management has been implemented in the Municipality.

### **9.2 REPORTING BY THE RISK MANAGEMENT COMMITTEE**

- 9.2.1 The Risk Management Committee will submit a quarterly report to the Accounting Officer that will outline the work performed by the Committee and recommendations in that specific quarter and must consider the responsibilities outlined in the risk management committee charter.

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9.2.2 The Risk Management Committee will submit bi-annually reports to the Council that will outline the work performed by the committee in that specific period.

**10. MONITORING**

- a) The Chief Risk Officer must monitor the effectiveness of risk mitigating strategies on quarterly basis.
- b) The Risk Management Committee must monitor implementation and effectiveness of the risk management function quarterly.
- c) The internal audit unit must provide independent assurance on the effectiveness of risk management activities in line with their internal audit coverage plan.

**11. POLICY ADMINISTRATION**

The policy will be reviewed annually and submitted for approval to the council.