



# ENTERPRISE RISK MANAGEMENT POLICY

**2026/27**



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## Definitions and Acronyms

### Definitions

	<b>TERM</b>	<b>DEFINITION</b>
1.	<b>Accounting Officer</b>	The Municipal Manager appointed in terms of Section 82 of the Municipal Structures Act and is responsible for financial and risk management in terms of the MFMA.
2.	<b>Assurance</b>	Independent confirmation that risk management and internal control processes are functioning effectively.
3.	<b>Combined Assurance</b>	A coordinated approach that aligns assurance activities from management, internal audit, external audit, and oversight structures to ensure key risks are adequately managed.
4.	<b>Control</b>	Any action, policy, device, or procedure implemented to reduce risk likelihood or impact.
5.	<b>Enterprise Risk Management (ERM)</b>	A structured and integrated approach to identifying, assessing, managing, and monitoring risks across the entire Municipality.
6.	<b>Inherent Risk</b>	The level of risk before any controls or mitigation measures are applied.
7.	<b>Residual Risk</b>	The level of risk remaining after controls and mitigation measures have been implemented.
8.	<b>Risk</b>	The effect of uncertainty on objectives, including threats and opportunities.
9.	<b>Risk Appetite</b>	The level and type of risk the Municipality is willing to accept in pursuit of its objectives.
10.	<b>Risk Assessment</b>	The process of identifying, analysing, and evaluating risks.
11.	<b>Risk Management</b>	The systematic process of identifying, assessing, treating, monitoring, and reporting risks.
12.	<b>Risk Management Committee (RMC)</b>	A management committee responsible for overseeing the implementation of risk management.
13.	<b>Risk Owner</b>	A person accountable for managing a specific risk.
14.	<b>Risk Register</b>	A formal record of identified risks, their assessment, controls, and mitigation actions.
15.	<b>Risk Tolerance</b>	The acceptable level of variation the Municipality is willing to tolerate relative to achieving objectives.
16.	<b>Strategic Risk</b>	A risk that affects the Municipality's ability to achieve its long-term objectives.

## ACRONYMS

No	Acronym	Meaning
1.	AGSA	Auditor-General South Africa
2.	APAC	Audit and Performance Audit Committee
3.	CRO	Chief Risk Officer
4.	ERM	Enterprise Risk Management
5.	HOD	Head of Department
6.	MFMA	Municipal Finance Management Act
7.	MLM	Musina Local Municipality
8.	RMC	Risk Management Committee
9.	IA	Internal Audit
10.	KPI	Key Performance Indicator



## **1. PREAMBLE**

1.1 Musina Local Municipality (MLM) is committed to delivering affordable, quality services and promoting socio-economic development through collective leadership within its jurisdiction. In pursuing its mandate within a dynamic and evolving environment, the Municipality is exposed to various risks, including strategic, operational, financial, compliance, and reputational risks, which may adversely affect service delivery, organisational objectives, assets, and stakeholder confidence.

1.2 Effective risk management is therefore essential to good governance, sound financial management, and sustainable service delivery. The Municipality recognises that risk management is not merely a compliance requirement but an integral component of planning, decision-making, performance management, and internal control systems.

1.3 Through this policy, the Municipality affirms its commitment to safeguarding public resources, enhancing organisational resilience, supporting informed decision-making, and ensuring the continued delivery of services to the community in a transparent, efficient, and accountable manner.

## **2. PURPOSE**

2.1 The purpose of this Risk Management Policy is to provide a structured and systematic framework for the identification, assessment, management, monitoring, and reporting of risks that may impact Musina Local Municipality's ability to achieve its strategic objectives and deliver services effectively and sustainably.

2.1.1 This Policy seeks to:

- Embed a culture of risk awareness and accountability throughout the Municipality;
- Ensure that risk management is integrated into strategic planning, operational processes, decision-making, and performance management;
- Safeguard municipal assets, financial resources, and reputation;
- Promote compliance with applicable legislation, regulations, and governance standards;
- Enhance organisational resilience and improve the Municipality's ability to respond effectively to emerging risks and opportunities; and
- Support good governance, transparency, and responsible stewardship of public resources.

2.2 Through the implementation of this Policy, Musina Local Municipality aims to strengthen internal controls, improve service delivery outcomes, and ensure sustainable socio-economic development within its jurisdiction.

## **3. SCOPE OF APPLICATION**

3.1 This Risk Management Policy applies to all political structures, office bearers, employees, and stakeholders of Musina Local Municipality who are involved in planning, decision-making, execution of duties, oversight, and governance processes.

The Policy applies to:

- The Municipal Council and its Committees;
- The Municipal Manager and Senior Management;
- All departments, units, and operational areas within the Municipality;
- All municipal employees, whether permanent, temporary, or contracted, and
- Service providers and external stakeholders where risks may impact municipal objectives.

3.2 This Policy covers all categories of risk that may affect the Municipality, including but not limited to strategic, operational, financial, compliance, environmental, reputational, fraud, and information technology risks.

3.3 Risk management shall be applied to all municipal activities, programmes, projects, assets, systems, and processes. It must be integrated into strategic planning, budgeting, performance management, procurement, infrastructure development, and service delivery functions.

3.4 All individuals and structures within the Municipality are required to comply with this Policy and to actively participate in the identification, assessment, mitigation, monitoring, and reporting of risks within their areas of responsibility.

#### **4. LEGISLATIVE AND GOVERNANCE FRAMEWORK**

4.1 This Risk Management Policy is developed in accordance with applicable legislation, regulations, and governance principles governing local government in South Africa. The Municipality acknowledges that effective risk management is a statutory and governance requirement that supports accountability, transparency, and sound financial management.

This Policy is aligned with, but not limited to, the following:

- The Constitution of the Republic of South Africa, which establishes the mandate and developmental responsibilities of local government;
- The Local Government: Municipal Finance Management Act (MFMA), which requires municipalities to maintain effective, efficient, and transparent systems of financial and risk management and internal control;
- The Local Government: Municipal Systems Act, which provides for performance management and organizational accountability;
- The Public Audit Act, which strengthens oversight and accountability mechanisms.
- The King IV Report on Corporate Governance, which emphasises ethical leadership, good governance, risk oversight, and the integration of risk management into strategic decision-making; and
- Relevant National Treasury frameworks, circulars, and best practice guidelines relating to enterprise risk management in the public sector.

4.2 This Policy further aligns with recognised risk management principles and best practices to ensure that risk management is embedded within the Municipality's strategic planning, budgeting, performance management, internal control, and reporting processes.

## 5 POLICY STATEMENT

- 5.1 Musina Local Municipality is committed to the effective identification, assessment, management, and treatment of risks to achieve its vision, mission, strategic objectives, and to uphold its core values.
- 5.2 The Municipality recognises risk management as an integral component of responsible leadership, sound administration, and good corporate governance. Accordingly, the Municipality adopts a comprehensive and enterprise-wide approach to risk management, aligned with the principles of good governance as articulated in the Local Government: Municipal Finance Management Act (MFMA), applicable National Treasury Regulations, and the King IV Report on Corporate Governance.
- 5.3 Risk management at MLM forms part of the Municipality's strategic planning, performance management, internal control, and decision-making processes. The detailed methodology and implementation framework are outlined in the **MLM Risk Management Strategy (2026/2027)**, which provides for a structured and systematic process applicable across all departments, sections, operations, projects, and activities of the Municipality.
- 5.4 The Municipality is committed to ensuring that:
- Risk management is embedded within all municipal systems, processes, and activities.
  - All departments and sections apply the risk management process in a consistent, integrated, and coordinated manner;
  - Risks are reduced to an acceptable level, as far as reasonably practicable.
  - Risk management supports the achievement of service delivery objectives and sustainable development; and
  - Risk management remains dynamic, responsive, and aligned with the Municipality's operating environment.
- 5.5 MLM acknowledges that the achievement of its strategic objectives requires taking calculated and managed risks that do not compromise the legitimate interests of stakeholders. Sound risk management enables the Municipality to anticipate, prepare for, and respond effectively to internal and external changes, while making informed decisions under conditions of uncertainty.
- 5.6 The Municipality subscribes to the principle that all resources shall be applied economically, efficiently, and effectively to ensure:
- The highest possible standards of service delivery;
  - The implementation of appropriate systems and controls to minimise risks and costs in the interest of stakeholders.
  - The recognition of risk management as both a performance enabler and a driver of continuous improvement.
  - Ongoing education and training of employees to strengthen risk awareness, knowledge, skills, and capabilities; and
  - The promotion of a risk-aware culture that fosters accountability, ethical conduct, and sensitivity to stakeholder expectations.
- 5.7 An entity-wide approach to risk management will be adopted, ensuring that all key risks are identified and managed through a structured and systematic process. Risk management will be continuously reviewed and improved to ensure that it remains current, relevant, and effective.

5.8 This Risk Management Policy applies throughout the Municipality and shall be reviewed annually to reflect the Municipality's evolving risk profile and governance requirements.

5.9 Every employee, councillor, and stakeholder has a role to play in the effective implementation of this Policy. Musina Local Municipality is committed to working collaboratively to strengthen risk management practices in pursuit of its mandate and service delivery commitments.

## **6. RISK APPETITE AND TOLERANCE**

6.1 Council shall approve a formal Risk Appetite Statement annually.

6.2 The Municipality's risk philosophy is:

- **Low tolerance** for fraud, corruption, regulatory non-compliance, and ethical breaches.
- **Moderate tolerance** for operational and infrastructure risks where mitigation plans are in place.
- **Controlled tolerance** for strategic risks aligned to developmental objectives.

6.3 Detailed risk appetite thresholds are contained in Annexure A.

## **7. RISK GOVERNANCE STRUCTURE**

### **7.1 RISK MANAGEMENT OVERSIGHT**

#### **7.1.1 Council**

7.1.1.1 The Municipal Council retains ultimate oversight responsibility for risk governance within the Municipality.

7.1.1.2 Council shall take an interest in risk management to the extent necessary to obtain reasonable assurance that properly designed and functioning systems of risk management and internal control are in place to protect the Municipality against significant risks.

7.1.1.3 In fulfilling its oversight role, Council shall:

- Approve the Risk Management Policy and related frameworks;
- Ensure that risk management is aligned with the Municipality's strategic objectives.
- Monitor reports on key and emerging risks; and
- Obtain assurance that appropriate mitigation strategies are implemented to address significant risks.

#### **7.1.2 Audit and Performance Audit Committee (APAC)**

7.1.2.1 The Audit and Performance Audit Committee (APAC), established in terms of section 166 of the Local Government: Municipal Finance Management Act (MFMA), is an independent advisory committee responsible for oversight of the Municipality's governance, internal control, performance management, and risk management systems.

7.1.2.2 The primary responsibility of the APAC in relation to risk management is to provide an independent and objective assessment of the effectiveness of the Municipality's risk management processes.

In this regard, the APAC shall:

- Review the adequacy and effectiveness of the risk management framework.
- Monitor the Municipality's significant risks and mitigation measures;
- Consider reports from management, the Risk Management Committee, and Internal Audit; and
- Provide recommendations to Council and the Accounting Officer regarding improvements to risk management.

The detailed responsibilities of the APAC concerning risk management are formally defined in the APAC Charter.

### **7.1.3 Risk Management Committee**

7.1.3.1 The Risk Management Committee (RMC) is a management committee appointed by the Accounting Officer to support and oversee the implementation of risk management within the Municipality.

The RMC consists of:

- Heads of Department (HODs) as members;
- The Chief Risk Officer (CRO) is an invitee, and
- The Chief Audit Executive (CAE) is an invitee.

The role of the RMC is to:

- Review the progress and maturity of risk management within the Municipality.
- Evaluate the effectiveness of risk management activities and internal controls.
- Review the key risks facing the Municipality; and
- Monitor management's responses and mitigation plans to address identified risks.

The responsibilities, composition, and functioning of the RMC are formally defined in the RMC Charter.

## **7.2 RISK MANAGEMENT IMPLEMENTERS**

Effective implementation of risk management within Musina Local Municipality (MLM) requires clear accountability at all levels of the organisation. The following roles are responsible for executing and embedding the risk management framework in their respective areas of responsibility.

### **7.2.1 Accounting Officer**

The Accounting Officer is ultimately responsible for the overall governance of risk management within the Municipality. By setting the tone at the top, the Accounting Officer:

- Promotes accountability, integrity, and ethical conduct;

- Establishes a positive control environment that supports Enterprise Risk Management (ERM);
- Ensures that adequate resources, processes, and structures are in place for effective risk management; and
- Monitors the overall effectiveness of the risk management framework across the Municipality.

### **7.2.2 Senior Management /HODs (Risk Owners)**

HODs are responsible for integrating the Municipality's risk management philosophy into the operational routines of their directorates or departments. As risk owners, they are accountable for:

- Identifying, assessing, monitoring, and managing risks within their areas of responsibility;
- Implementing risk mitigation strategies and monitoring their effectiveness;
- Reporting significant risks to the Accounting Officer, Risk Management Committee, and Chief Risk Officer; and
- Intervening where risk management activities require corrective action or additional support.

### **7.2.3 Chief Risk Officer**

The Chief Risk Officer is the custodian of the Municipality's Risk Management Strategy and coordinates all risk management activities. The CRO's responsibilities include:

- Embedding risk management practices throughout the Municipality;
- Providing expertise and guidance to management and staff on risk identification, assessment, and mitigation;
- Monitoring the risk register, risk reporting, and key risk indicators; and
- Ensuring that risk management contributes to improved performance, compliance, and service delivery.

### **7.2.4 Risk Champions**

Risk Champions provide operational support and guidance to facilitate effective risk management across the Municipality. Their responsibilities include:

- Assisting management in identifying and mitigating complex or transversal risks that affect multiple departments;
- Supporting and intervening where risk management efforts are being hampered;
- Promoting risk awareness and good risk management practices; and
- Advising on best practices for risk treatment and monitoring.

### **7.2.5 Other Officials**

All other municipal officials are responsible for integrating risk management into their day-to-day activities. Their responsibilities include:

- Executing delegated risk management tasks and duties;
- Identifying and reporting emerging risks within their functional areas;

- Participating in risk assessments, workshops, and training sessions; and
- Ensuring that risk management is a continuous and proactive part of operational activities.

### **7.3 RISK MANAGEMENT ASSURANCE PROVIDERS**

Assurance providers play a critical role in ensuring that Musina Local Municipality's risk management processes are effective, reliable, and aligned with good governance principles. The following entities provide independent and objective assurance on the adequacy and effectiveness of risk management:

#### **7.3.1 Internal Audit**

The primary role of Internal Audit in risk management is to provide independent and objective assurance to the Council, Accounting Officer, Risk Management Committee, and Audit and Performance Audit Committee (APAC) on the effectiveness of risk management practices within the Municipality.

Internal Audit is responsible for:

- Evaluating the efficiency and effectiveness of the Municipality's risk management processes;
- Providing recommendations to improve the design and implementation of the risk management framework;
- Conducting audits of key risk areas to ensure compliance with approved policies, procedures, and controls;
- Reporting on the adequacy of internal controls and the mitigation of key risks; and
- Promoting a systematic and disciplined approach to risk management that supports organisational objectives.

Internal Audit must objectively assess whether the risk management process is operating efficiently and effectively, and whether it adequately supports the Municipality's strategic and operational objectives.

#### **7.3.2 Auditor General**

The Auditor-General of South Africa provides an independent opinion on the effectiveness of risk management across the Municipality. The Auditor-General's review focuses on:

- Determining whether the Municipality has a risk management policy, strategy, and implementation plan in place, and whether they are appropriate;
- Assessing the actual implementation of the risk management policy, strategy, and plan;
- Reviewing the risk assessment process to ensure it is sufficiently robust for timely and accurate risk identification, rating, and prioritisation; and
- Evaluating whether management action plans to mitigate key risks are appropriate and effectively implemented.

The assurance provided by the Auditor-General complements the oversight and monitoring performed by Internal Audit, the Risk Management Committee, and Council, thereby

strengthening accountability, transparency, and confidence in the Municipality's risk management framework.

## 8. ACCESS TO INFORMATION

It is MLM's policy that the Chief Risk Officer and staff of the Risk Management are authorised to:

- Have unrestricted access to all municipalities' functions, records, property, and personnel.
- Have full, free, and unrestricted access to the Accounting Officer, the Chairperson of the Risk Management Committee, management meetings, and the Auditor-General.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish risk management objectives.
- Obtain the necessary assistance of personnel in units of the municipality where risk assessments are performed, as well as other specialised services from within or outside the Municipality.
- Risk management must be a standing item in management meetings.

## 9. RISK MANAGEMENT SUPPORT AND REPORTING PROCESSES

### 9.1 Reporting by the Chief Risk Officer

9.1.1 The Risk Management Manager (CRO) is the custodian of the Risk Management Policy and coordinator of risk management activities across the Municipality. The Manager's role is to provide specialist expertise to embed risk management and leverage its benefits to enhance performance.

- Departments must submit **monthly reports** on risk management activities to the Risk Management Unit.
- The Manager shall compile and submit a **quarterly report** to the Risk Management Committee (RMC) for oversight.
- The RMC Chairperson shall report to the Audit Committee, including:
  - Progress in implementing control measures across departments.
  - Effectiveness of controls in managing identified risks;
  - Any emerging risks; and
  - The extent of risk management culture implementation within the Municipality.

9.1.2 This reporting process ensures transparency, accountability, and continuous improvement in risk management across all municipal functions.

## 10. MONITORING & EVALUATION

To ensure the effectiveness of risk management within Musina Local Municipality, the following monitoring and evaluation responsibilities are established:

- **Risk Management Manager (CRO):** Monitors the effectiveness of risk mitigation strategies monthly and reports to management and the RMC.
- **Risk Management Committee (RMC):** Monitors the risk management function quarterly and evaluates its performance annually as per the RMC Charter, with oversight by the Accounting Officer.

- **Internal Audit:** Provides independent assurance on the effectiveness of risk management activities in line with the audit coverage plan.

This ensures risk management remains effective, accountable, and aligned with the Municipality's objectives.

## 11. POLICY REVIEW

The content of this Risk Management Policy shall be reviewed on an annual basis by the Risk Management Committee (RMC) to ensure that it remains relevant, effective, and aligned with the Municipality's evolving risk profile, strategic objectives, and legislative requirements.

Following review, any proposed amendments shall be submitted to the Council for approval. This process ensures that the Policy accurately reflects the current stance on risk management within Musina Local Municipality and continues to support good governance, accountability, and sustainable service delivery.

The signatories confirm that they have reviewed, accepted, and approved the contents of this policy and hereby adopt it for implementation.

Role	Name	Position	Signature	Date
Compiled by/ Custodian	Els Ramuthivheli	Risk Manager		
Endorsed and signed on behalf of RMC	Fhatuwani Ndou	RMC Chairperson		
Approved By	Pandelani Mudau	Acting Municipal Manager		

