

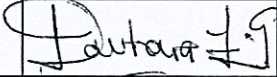
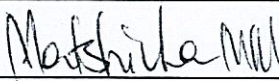
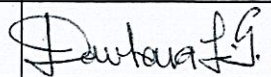
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RISK MANAGEMENT POLICY

Signatories

The signatories hereof, confirm acceptance of the contents, recommendation, and adoption hereof.

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1. DEFINITIONS AND ACRONYMS

1.1 Statutory and Regulatory

This Policy applies to the following meanings and interpretations:

#	TERM	DESCRIPTION
1.1	Risk	Risk refers to 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. Such opportunities are encompassed in this definition of risk.
1.2	Risk management	Risk management is a systematic and formalised process instituted by the municipality to identify, assess, manage and monitor risks.

1.2 ACRONYMS

#	TERM	DESCRIPTION
2.1	Municipality	Thulamela Local Municipality
2.2	MFMA	Municipal Finance Management Act

2. POLICY STATEMENT

- 2.1 The municipality is committed to implement and maintain effective, efficient and risk management and treatment of risk in order to achieve the municipality's objectives.
- 2.2 The Municipal Manager as an Accounting Officer has committed to the process of risk management that is aligned to the principles of good corporate governance. Effective risk management is imperative for the municipality to fulfil its mandate, the service delivery expectations of the public and the performance expectations within the institution.
- 2.3 The realization of Thulamela strategic plan depends on the municipality being able to take calculated risks in a way that does not jeopardize the direct interests of stakeholders. Sound management of risk will enable us to anticipate and respond to changes in the service delivery environment, as well as to take informed decisions under conditions of uncertainty.
- 2.4 A Municipal-wide approach to risk management should be applied by all departments therefore, every risk at any part of the Municipality should be included in a structured and systematic risk management processes at entity level. This is to ensure responses to risk remain current and dynamic.
- 2.5 It is important that employees become aware of the risks associated with their area of work and therefore manage these risks to be within tolerance level by using risk management response strategies outlined in the Municipality's Risk Management strategy.

3. PREAMBLE

- 3.1 The municipality is committed to the optimal management of risks to achieve its vision and deliver on our core business and key objectives. In conducting our day-to-day business operations, the municipality is exposed to a variety of risks. These risks include strategic, operational and other risks that are material and require comprehensive controls and on-going oversight.
- 3.2 To ensure business success, the municipality has adopted an enterprise-wide integrated approach to the management of risks. By embedding risk management processes into key business processes such as planning, operations and new

projects, the municipality will be better equipped to identify events affecting the objectives and to manage risks in ways that are consistent with the approved risk appetite.

- 3.3 The Accounting Officer has committed the municipality to a process of risk management that is aligned to the principles of good corporate governance, as supported by the MFMA and King IV Report, effective from 1 April 2017. (Report on Corporate Governance for South Africa: 2016).

4. PURPOSE

- 4.1 The MFMA requires compliance in respect of risk management and this policy's objective is to enable and secure compliance. King IV requires the governance of risk through a formal risk management process.
- 4.2 To set the principles, deliverables and processes through which risk management needs to be performed at least at a compliance level. The municipality recognizes that risk management is a systematic and formalized process to identify, assess, manage and monitor risks and therefore adopts a comprehensive approach to the management of risk.
- 4.3 Risk Management must become a culture within the organization and integrated into all business processes to enhance performance. The policy is aligned to the National Treasury Risk Management Framework, will ensure that the municipality makes informed decisions with regard to the activities that it undertakes by appropriately considering both risks and opportunities.

5. SCOPE

- 5.1 This Policy applies throughout the municipality in as far as the implementation of risk management is concerned. It is applicable to the following Departments:
- 5.1.1 Office of the Municipal Manager
 - 5.1.2 Technical Department
 - 5.1.3 Budget and Treasury
 - 5.1.4 Corporate Services

5.1.5 Planning and development

5.1.6 Community Services

5.1.7 All employees and officials of the Municipality irrespective of their location or function

5.1.8 The Council and Executive Committee.

5.1.9 Risk Management Committee

5.1.10 Audit and Performance Committee

6. OBJECTIVES

6.1 To explain the municipality approach to risk management and ensure that it has a consistent and effective approach to risk management;

6.2 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;

6.3 To explain key aspects of risk management;

6.4 To clearly indicate the risk management reporting procedures;

6.5 To hold executive, management and officials accountable for the implementation of risk management on their areas of responsibility;

6.6 To create an environment where all the municipal employees take responsibility for managing risk;

6.7 To create more risk awareness organizational culture through enhanced communication and reporting of risk;

6.8 To improve corporate governance and compliance with relevant legislation;

6.9 The implementation of this policy will provide the municipality with a basis and a framework for:

6.9.1 more confident and rigorous planning and decision-making.

- 6.9.2 better identification of opportunities and threats.
 - 6.9.3 pro-active rather than re-active management;
 - 6.9.4 more effective allocation and use of resources;
 - 6.9.5 improved management and reduction in loss and cost of risk;
 - 6.9.6 improved stakeholder confidence and trust;
 - 6.9.7 clear understanding by all staff of their roles, responsibilities and authorities for managing risk.
- 6.10 To align risk-taking behaviour with the strategic business objectives in the integrated development plan;
 - 6.11 To promote a risk management culture within the organisation and improve risk transparency to all stakeholders;
 - 6.12 To maximise value and net worth by managing risks that impact on the defined financial and performance drivers;
 - 6.13 To assist the municipality in enhancing and protecting those opportunities that represents the greatest service delivery benefits. (National Treasury, 2011).

7. GUIDING PRINCIPLES

- 7.1 Risk management is recognised as an integral part of responsible management and therefore, the 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 Components' 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.
- 7.2 The realisation of our strategic plan depends on us being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk will enable us to anticipate and respond to changes in our service delivery environment, as well as make informed decisions under conditions of uncertainty.

- 7.3 We subscribe to the fundamental principles that all resources will be applied economically to ensure:
- 7.3.1 The highest standards of service delivery;
 - 7.3.2 A management system containing the appropriate elements aimed at minimising risks and costs in the interest of all stakeholders;
 - 7.3.3 Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholders expectations; and
 - 7.3.4 Maintaining an environment, which promotes the right attitude and sensitivity towards internal and external stakeholder satisfaction.
- 7.4 An entity-wide approach to risk management is adopted by the municipality, which means that every key risk in each part of the municipality will be included in a structured and systematic process of risk management. It is expected that the risk management processes will become embedded into the municipality's systems and processes, ensuring that our responses to risks remain current and dynamic. All risk management efforts will be focused on supporting the municipality objectives. Equally, they must ensure compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.
- 7.5 Risk management must be embedded in the strategic planning of the municipality.
- 7.6 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.
- 7.7 The municipality's risk tolerance level must be determined by senior management and is outlined in the Risk Management Strategy.
- 7.8 The associated risks of proposed actions and decisions must be properly identified, evaluated and managed to ensure that exposures are acceptable.
- 7.9 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.

7.10 Risks will be owned and managed by the units where the risk resides.

7.11 This policy is subject to an annual review in line with risk management framework.

8. ACCESS TO INFORMATION

8.1 It is our policy that the Chief Risk Officer (CRO) and staff of Risk Management are authorized to:

8.1.1 Have unrestricted access to all municipality's functions, records, property and personnel.

8.1.2 Have full, free and unrestricted access to the Accounting Officer, the Chairperson of the Risk Management Committee, management meetings and the Auditor-General.

8.1.3 Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish Risk Management objectives.

8.1.4 Obtain the necessary assistance of personnel in units of the Municipality where risk assessments are performed, as well as other specialized services from within or outside the Municipality.

8.1.5 Risk Management must be a standing item on the management meetings.

9. DECLARATION OF INTEREST

9.1 Each member shall declare his/her interests by indicating their interests on the attendance register before the commencement of each Risk Management Committee meeting.

10. PROJECT RISK MANAGEMENT

10.1 Project Risk Management is the systematic process of identifying, analysing, and responding to project risks, maximising the probability and consequences of positive events (opportunities) to project objectives and minimising the probability and consequences of adverse events (threats) to project objectives.

10.2 The project risk assessment will be conducted in line with the approved municipality risk management strategy as methodology adopted by the municipality.

11. IMPLEMENTATION: ROLES AND RESPONSIBILITIES

Every employee is responsible for executing risk management processes and adhering to risk management procedures laid down by the municipality management in their areas of responsibilities.

RISK MANAGEMENT OVERSIGHT

11.1 COUNCIL

- 11.1.1 Council 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.

11.2 AUDIT COMMITTEE

- 11.2.1 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 regard to risk management are formally defined in its charter.

- 11.2.2 The Audit Committee provides an independent and objective view of the municipality's risk management effectiveness.

11.3 RISK MANAGEMENT COMMITTEE

- 11.3.1 The Risk Management Committee is appointed by the Accounting Officer to assist them to discharge their responsibilities for risk management.

- 11.3.2 The Committee's role is to review the risk management progress and maturity of the municipality, the effectiveness of risk management activities, the key risks facing the municipality, and the responses to address these key risks. The responsibilities of the Risk Management Committee are formally defined in its charter.

- 11.3.3 The Risk Management Committee will submit a quarterly report to the Accounting Officer and the Audit and Performance Committee that will outline the work performed by the committee in that specific quarter and must

consider the responsibilities outlined in the risk management committee charter.

RISK MANAGEMENT IMPLEMENTERS

11.4 ACCOUNTING OFFICER

11.4.1 The Accounting Officer is the ultimate Chief Risk Officer of the municipality and is accountable for the municipality's overall governance of risk. By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.

11.5 MANAGEMENT

11.5.1 Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management into the operational routines.

11.6 OTHER OFFICIALS

11.6.1 Other officials are responsible for integrating risk management into their day-to-day activities. They must ensure that their delegated risk management responsibilities are executed and continuously report on progress.

RISK MANAGEMENT SUPPORT AND REPORTING PROCESS

11.7 REPORTING BY THE CHIEF RISK OFFICER

11.7.1 The Chief Risk Officer is the custodian of the Risk Management Strategy, and coordinator of risk management activities throughout the municipality. 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.

11.7.2 The Risk Owners and / or Champions must submit quarterly reports on risk management activities in their units to the Chief Risk Officer.

11.7.3 The Chief Risk Officer will submit a quarterly report to the Risk Management Committee which will submit to the Accounting Officer. Risk Committee

Chairperson will then submit the report to the Audit Committee, on risk management activities not limited to the following:

- 11.7.3.1 What has been done to date to implement the control measures in different units.
- 11.7.3.2 The effectiveness of the control measure in addressing / eliminating / managing the identified risks.
- 11.7.3.3 Any new potential risks that may arise in different units.
- 11.7.3.4 To what extent a culture of risk management has been implemented in the Municipality/Entity.

11.8 RISK CHAMPION

- 11.8.1 The Risk Champion's responsibility involves intervening in instances where the risk management efforts are being hampered, for example, by the lack of cooperation by Management and other officials and the lack of municipality's skills and expertise.
- 11.8.2 Every department will, on annual basis, nominate an official to act as the risk champion.

RISK MANAGEMENT ASSURANCE PROVIDERS

11.9 INTERNAL AUDIT

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

11.10 EXTERNAL AUDIT

- 11.10.1 The external auditor (Auditor-General of South Africa) provides an independent opinion on the effectiveness of risk management.

11.10.2 An entity-wide approach to risk management will be adopted by the municipality, which means that every key risk in each part of the municipality will be included in a structured and systematic process of risk management expected that the risk management processes will become embedded into the municipality's systems and processes, ensuring that our responses to risk remain current and dynamic.

11.10.3 All risk management efforts will be focused on supporting the municipality's objectives. Equally, they must ensure compliance with relevant legislation and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

12 MONITORING AND EVALUATION

12.1 Monitoring risk management is a process that assesses the presence and functioning of its components over time. This is accomplished through on-going monitoring activities, separate evaluations or a combination of the two. On-going monitoring occurs in the normal course of management activities. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of on-going monitoring procedures.

12.2 The Risk Management Committee must assess the implementation and effectiveness of the system of risk management quarterly.

12.3 The internal audit unit must provide independent assurance on the effectiveness of risk management activities in line with their internal audit coverage plan.

12.4 The Chief Risk Officer must monitor the effectiveness of risk mitigating strategies on a quarterly basis;

12.5 The Risk Management Committee must evaluate, at least annually, its performance in line with the responsibilities outlined in the approved Risk Management Charter. The external evaluation will be conducted by Provincial Treasury through Key Performance Indicators.

13 LEGISLATIVE AND REGULATORY FRAMEWORK

13.1 Local Government: Municipal Systems Act, No 32 of 2000:

13.2 Local Government: Municipal Finance Management Act, No 56 of 2003:

13.3 Municipal Supply Chain Management Regulations

13.4 The King IV Code of Governance for South Africa, 2016

13.5 ISO 31000

14 STAKEHOLDER ENGAGEMENT

14.1 All the relevant stakeholders internal and external will be consulted through the development and implementation of this policy.

15 CONCLUSION

15.1 In conclusion the Risk Management Policy outlines and addresses critical matters raised in the purpose and the objectives. The provisions in the policy contents highlights the need for municipality to adhere to the key issues narrated which will address challenges encountered and lead to effective and efficient implementation of the policy.

15.2 The municipality commits to make resources available, monitor and evaluate the effectiveness of the policy, thus encouraging all relevant stakeholders to familiarise themselves with the policy.

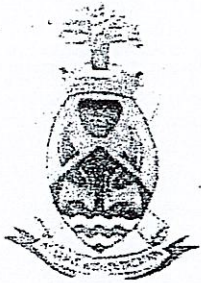
16 EFFECTIVE AND REVISED DATE

16.1 This Policy shall be reviewed annually or as and when the need arises to reflect the current stance on risk management.

17 ANNEXURES

17.1 Business Process Map

17.2 Standard Operating Procedure



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**EXTRACT RESOLUTION OF THULAMELA
MUNICIPALITY SPECIAL COUNCIL MEETING NO.
07/2025 HELD ON THE 30TH OF JUNE 2025.**

RESOLUTION NO. SC 07/06/2025

**SUBMISSION OF THE RISK MANAGEMENT RELATED
POLICIES FOR 2025/26 FINANCIAL YEAR.**

Council resolved:

- a) To approve the Risk Management related policies for 2025/26 financial year and,
- b) To note risk management related strategies and plans for 2025/26 financial year.


.....
CHAIRPERSON OF COUNCIL
30 JUNE 2025





LIST OF POLICIES

RISK AND SECURITY DEPARTMENT (30 June 2025-30 June 2026)

1. Security management Policy.
2. Anti-Fraud and Corruption Policy.
3. Whistle blowing Policy.
4. Risk management Policy.