2 CPD points

GUIDANCE NOTE

October 2025

KING V - APPLICATION TO MUNICIPALITIES

CONTENTS

Introduction

This guidance paper applies to category A, B and C municipalities as provided for in the Municipal Structures Act (Structures Act).

While the King V Code on Corporate Governance (the Code) is designed to be applicable across all organisations, its application to municipalities requires contextual interpretation. This is due to the unique constitutional and legislative framework and attendant dynamics of the governance of local government, which differs substantially from the structures of companies.

This guidance paper provides a detailed interpretation of the Code as it applies to municipalities, outlining key nuances, points of emphasis and legislative considerations that affect the practical implementation of each King V principle.

Terminology

Term used in King V	Relevant term for Municipalities
Organisation	Municipality
Governing body	Municipal council
Chair of the governing body	Speaker
Members of the governing body	Councillors
Management	Administration
CEO	Municipal manager as the accounting officer
External auditor	Auditor-General South Africa (AGSA) or an audit firm contracted to the AGSA.
Shareholders	Municipalities do not have shareholders in the traditional corporate sense, but in a functional sense, the shareholder or beneficial interest owner, can be equated to the community members that they serve, particularly the tax and rate payers that fund their activities.
Stakeholders	Primarily, the community in which the municipality serves, community organisations and others that affect and are affected by the municipality.
Subsidiary	Municipal entity

No direct equivalent in King V.	Mayor / Executive mayor The mayor plays both political and executive roles. The mayor may act as the executive head of the municipality, chair the executive committee, and provide political leadership. The position should be interpreted in line with the provisions of the Structures Act and the municipality's governance model.
No direct equivalent in King V.	Mayoral council / committee In municipalities with an executive mayoral system, the executive mayor is supported by a mayoral committee (or mayoral council)– as such with regards to this function the Structures Act should be followed.

Typical corporate governance application considerations

The recommended practices of the Code apply to municipalities, with the following areas of emphasis or nuance.

Principle 1: Leadership

Principle 1: The council leads ethically and effectively as the focal point of corporate governance in the municipality.

Characteristics and values (Recommended practices 1-2)

The recommended practices on ethical and effective leadership by the governing body are congruent with the Code of Conduct for Councillors, now issued under the Structures Act in Schedule 7. In addition, section 195 of the Constitution of South Africa requires public administration (including municipalities) to adhere to core values such as accountability, transparency and high ethical standards. These make it clear that a councillor's primary duty is to the municipality and the related community it serves, regardless of any political affiliation. Obligations to a political party must not conflict with or override the duty owed to the municipality.

In accordance with the Municipal Systems Act 32 0f 2000 (MSA) a municipality is "an organ of state within the local sphere of government exercising legislative and executive authority within an area". In terms of section 151 of the constitution both legislative and executive authority vest in the council. While the

Municipal Finance Management Act (MFMA) assigns fiduciary duties to the municipal manager as the accounting officer, the council retains overall accountability for governance and the proper management of the municipality by virtue of its constitutional authority.

Dimensions of governance obligations (Recommended practices 3-5)

The council should fulfil all dimensions of its governance obligations as provided in these recommended practices. Particularly important is having a charter that sets out the governance responsibilities of the council.

Performance evaluation of the council (Recommended practices 6-9)

The evaluation of the performance of the governing body, as dealt with in these recommended practices, applies to the municipal council. It is recommended that the council, in partnership with political parties, establish a collaborative approach for assessing deployed councillors by defining performance expectations and outlining appropriate consequences for underperformance.

Principle 2: Ethics

Principle 2: The council governs the ethics of a municipality in a way that enables an ethical culture and responsible corporate citizenship.

Organisational ethics (Recommended practices 10-14)

The recommended practices on organisational ethics are mirrored in the council's responsibility to oversee that the Code of Conduct for Municipal Staff Members, as contained in Schedule 2 of the MSA, is adhered to. It establishes ethical standards and guidelines for the conduct of municipal staff. These recommended practices should thus be followed to supplement the Code of Conduct.

Responsible corporate citizenship (Recommended practices 15-18)

Corporate citizenship specifically is an expression of the core purpose of the municipality as set out in section 152(1) of the constitution as follows:

- To provide democratic and accountable government.
- To ensure sustainable service delivery.
- To promote social and economic development.
- To promote a safe and healthy environment.
- To encourage community involvement in local government matters.

As such, the recommended practices under this principle should be applied with the necessary adaptation for municipalities.

Principle 3: Strategy, performance and sustainable value creation

Principle 3: The council ensures that the municipality's purpose, strategy and business model support performance that creates sustainable value within the municipality's economic, social and environmental context.

Strategy, performance and value creation (Recommended practices 19-22)

The recommended practices on strategy, performance and value creation in the Code should be interpreted in accordance with section 152 (1) of the Constitution, which provides the objectives of the municipality, as outlined under Principle 2 above. These constitutional objectives explain the meaning of value creation in a municipal context.

The Integrated Development Plan (IDP) as provided for in the MSA sets out the strategic plan in the municipal sphere which is integrated with that of provincial and national governments. The IDP informs the budget, and the council (in terms of the MFMA) is responsible for approving the annual budget. The IDP and approved budget is given effect by the Service Delivery and Budget Implementation Plan (SDBIP) of each municipality. The council must monitor the performance of the municipality against service delivery targets and performance indicators as per the SDBIP. References to strategy implementation and oversight in these recommended practices should be understood in this context.

Principle 4: Reporting

Principle 4: The council ensures that external reports issued by the municipality enable stakeholders to make informed assessments of how the municipality creates, preserves and erodes value within its economic, social and environmental context over the short, medium and long term.

Reporting (Recommended practices 23-27)

Municipalities are statutorily required to prepare the following reports:

- Annual Report (MFMA section 121) – incorporating, among others, financial statements, performance report against the SDBIP, the AGSA report and opinion, as well as corrective actions taken to address audit findings.
- Monthly, quarterly, mid-year and annual reports on SDBIP, focusing on key performance indicators and targets.

- Mid-year budget and performance assessment (MFMA section 72).
- Annual performance reporting based on IDP-linked Performance Management System (MSA section 46).

These reports differ from the recommended suite of stakeholder reports in the Code and are mostly internal accountability mechanisms, though many are made publicly available.

While the statutory requirements for municipal reporting are prescriptive in terms of structure and frequency, this need not prevent municipalities from embracing the concept of integrated reporting as recommended in the Code. Municipalities are encouraged to move towards more connected, transparent and stakeholder-responsive reporting, even if done alongside or as a complement to their legislated reports.

Municipalities that wish to claim application of King V must disclose their implementation using the King V Disclosure Framework.

Principle 5: Composition of the council

> **Principle 5: The council ensures that its composition is balanced with respect to the mix of competencies, diversity and independence that enables it to discharge its obligations objectively and effectively.**

Composition (Recommended practices 28-33)

Due to the prescribed election process, the composition of the council cannot be proactively planned based on skills, knowledge and experience required. Some of these recommended practices may thus not be applicable.

Obtaining independent advice to assist it in the execution of its duties as is recommended will assist with supplementing specific knowledge and skills gaps. Furthermore, practices that relate to succession planning and staggered rotation of the council are difficult to implement in a municipal context due to how municipal councils are elected for specific terms.

Nomination, election and development of council members (Recommended practices 34-37)

A mixed electoral system is followed for the election of councillors, in terms of which, depending on the category of municipality, approximately half the councillors are elected through a proportional representation ballot, where voters vote for a party. The other half are elected as ward councillors by the residents in each ward. These legislated provisions prevail over the recommended practices in the Code.

However, it should be noted that elections are a means by which citizens nominate representatives, giving them the authority to make decisions and implement them on their behalf. Ward councillors therefore play an important role in representing citizens' interests.

This also means that political parties carry a critical responsibility to ensure that councillors deployed to serve on municipal councils possess the necessary skills, competence, integrity and commitment to act in the best interests of the municipality and its community. Deploying unsuitable candidates undermines the ability of the council to fulfil its constitutional mandate and erodes public trust. Political parties should therefore prioritise the calibre and ethical standing of their candidates over internal political considerations.

There should be a strong emphasis on an in-depth induction for newly elected councillors at the start of a new political term. The council should also ensure that a continued and robust professional education programme is established, which runs for the full term of office.

Independence and conflicts (Recommended practices 38-44)

Municipal councillors are elected to represent local communities on the council. However, they may have party political affiliations, which result in them not being independent in form. It is crucial to note that, as a matter of legal duty, councillors must act in substance with independence of mind and exercise objective judgement in the best interests of the municipality. Furthermore, the constitutional integrity of the council, as a collective, always acting in the best interest of the municipality enjoys priority over the interests which individual councillors may have.

Effective governance in municipalities also requires rigorous management of conflicts of interest. Councillors often operate in communities where personal, business and political interests can intersect with municipal decision making. Transparent monitoring, disclosure, recordal and management of conflicts, as outlined in the Code, are essential to reduce the risk of undue influence, corruption or bias in municipal affairs.

Chairperson and lead independent member of the council (Recommended practices 45-50)

There is no independent chairperson of a municipal council as provided for in the Code. The role of the chairperson is essentially fulfilled by the speaker. The speaker is elected from among the councillors and is responsible for presiding over council meetings; ensuring that council meets as required; maintaining order during meetings; monitoring and enforcing the Code of Conduct for Councillors; ensuring Councillors conduct governance roles and hold management to account; facilitating public participation and ward committee structures; and playing a key role in ethical leadership and good governance.

The concept of a lead independent member of the governing body, as recommended in the Code, is not applicable to municipalities.

Principle 6: Committees of the council

> **Principle 6: The council ensures that arrangements for delegation to committees and individuals within its own structures promote the objective and effective discharge of its obligations.**

Committees of the council (Recommended practices 51-75)

The MSA provides in section 59 that the council must "develop a system of delegation that will maximise administrative and operational efficiency and provide for adequate checks and balances". The MSA prescribes a wide range of powers and functions that may or may not be delegated. The council can only delegate authority if it is expressly or by implication authorised to do so by regulation. The recommended practices in the Code on delegation to committees should, therefore, be interpreted in this context.

The council is, in terms of section 79 of the Structures Act, entitled to set up committees to assist in performing its functions or exercising its powers. These committees are non-executive, meaning that they do not directly manage or execute decisions, but rather advise and support the council. In alignment with the Code, the council determines the functions delegated to these committees.

Typical council committees in a municipality include:

- A municipal public accounts committee which is not mandated by legislation but promoted via circulars and frameworks to assist with general oversight over the finance and performance of the municipality.
- A budget and treasury committee which is also not a legal requirement but often established to assist with budget reviews and recommendations.

These council committees should adhere to the general practices as recommended under this principle of the Code.

While audit committees are mandatory for municipalities (MFMA, section 166), their duties in relation to the appointment and independence of the auditor apply differently as the AGSA (or an accounting firm contracted to the AGSA) serves as the external auditor for a municipality. Furthermore, the composition of an audit committee of a municipality is prescribed by legislation and prevails over the recommended practices in the Code. The practices recommended in the Code for the execution of the duties of the audit committee should be applied to provide further substance to legislated duties.

In relation to other recommended committees in the Code:

- A committee responsible for risk governance is not typical in a municipality, as the MFMA places responsibility for risk oversight with the audit committee.
- A committee responsible for nomination governance is likely not necessary due to the way in which councillors are elected.
- A committee responsible for remuneration governance is not typical or necessary as councillors' fees are set by the Minister of Cooperative Governance and Traditional Affairs. Employees' remuneration is generally governed by South African Local Government Association agreements and national frameworks, with no discretion for municipalities.
- A social and ethics committee is not common or generally required, but its underlying aims of corporate citizenship, social responsibility, ethics and stakeholder relationships are intended to be met through other structures.

Municipal councils are encouraged to evaluate the effectiveness of their committee structures and consider the need for adjustments. It is also critical for careful attention to be paid to ensure role clarity to avoid duplications or gaps in roles and responsibilities, given the somewhat overlapping nature of these legislated committees.

Effective communication between the council and its committees is essential, particularly as some committees include members who are not councillors and may not have full visibility of council deliberations.

Principle 7: Appointment and delegation to management

Principle 7: The council ensures that the appointment and delegation to management promote operational effectiveness and that the respective roles and decision-making powers of the council and management are clearly defined.

CEO appointment and role (Recommended practices 76-80)

Within municipalities, the CEO role is fulfilled by the municipal manager (MM), who is the accounting officer in terms of the MFMA and MSA.

As is provided in the Code, the council (as governing body) appoints the MM whose appointment must be formally approved by council resolution, with oversight from the MEC for Co-operative Governance and Traditional Affairs. The process is highly regulated, governed by the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers (2014). The MM must meet minimum competency levels and qualifications prescribed by regulation. There are statutory provisions for performance agreements which must be signed by the MM within 60 days of appointment.

Delegation to management (Recommended practices 81-83)

The delegation framework in municipalities is governed by the MFMA, MSA and other legislation. Certain powers cannot be delegated by the council (e.g. budget approval, IDP adoption, appointment of MM, approval of by-laws). Delegations must be formally adopted by council resolution and should be recorded in a delegation register and reviewed regularly. These recommended practices apply in this context.

Professional corporate governance services to the council (Recommended practices 84-90)

Although municipalities do not, as a matter of course, appoint a municipal secretary in the same way as a company appoints a company secretary, it is recommended that council ensures that its members have access to the services of a corporate governance professional as a source of guidance on governance.

This function could be fulfilled by a dedicated governance officer, an experienced senior manager or an external governance advisor. This person should support council and its committees in navigating statutory requirements, ethical dilemmas, delegations, declarations of interest and meeting protocols — thus strengthening the objectivity, compliance and governance capability of the council.

Principle 8: Risk

> **Principle 8: The council governs risk in a way that enables the municipality to sustain and optimise its strategy and objectives.**

Risk (Recommended practices 91-94)

The implementation of risk management within municipalities occurs within a highly legislated environment as governed by the MFMA, MSA and associated frameworks.

Risk governance is typically the function of the audit committee, with the municipal manager responsible for execution. While the legal requirement for risk management exists, municipalities often focus narrowly on compliance risks and should be encouraged to adopt a broader, strategic risk and opportunity perspective, including service delivery, environmental and reputational risks. The recommended practices on risk in the Code should be followed to achieve this.

Principle 9: Compliance

> **Principle 9: The council governs compliance with applicable laws and adopted policies, non-binding rules, codes and standards in a way that promotes ethics and responsible corporate citizenship.**

Compliance (Recommended practices 95-99)

As municipalities are subject to extensive legal obligations, a formal, effective organisation-wide system of compliance is essential. Councils should thus embed the Code's recommended practices relating to compliance.

Principle 10: Data, information and technology

> **Principle 10: The council governs data, information and technology in a way that enables the municipality to sustain and optimise its strategy and objectives.**

Data, information and technology (Recommended practices 100-110)

These recommended practices are applicable to municipalities, although the level of maturity and integration varies widely amongst municipalities. Most municipalities have data, information and technology systems in place for finance, billing and document management, but often lack a coherent strategy. Thus data, information and technology may be treated as support systems rather than as strategic enablers.

As outlined by the AGSA, municipalities have significant opportunities to strengthen their cybersecurity by improving controls, modernising infrastructure and building internal capacity. Proactive measures in these areas will also enhance data privacy and support full compliance with applicable regulatory requirements.

Councils should ensure that the strategic roles of data, information and technology are recognised and that recommended practices in this regard are considered.

Principle 11: Remuneration

> **Principle 11: The council ensures that the municipality remunerates fairly, responsibly and transparently to promote sustainable value creation by the municipality within its economic, social and environmental context.**

Remuneration (Recommended practices 111-118)

Municipalities operate within a tightly regulated remuneration environment. Councillor remuneration is determined nationally, while staff and senior management remuneration is governed by collective agreements and regulatory frameworks. Accordingly, municipalities have limited discretion in applying the Code's recommended practices relating to remuneration.

Nevertheless, the council remains accountable for:

- Ensuring legal compliance with remuneration regulations.
- Adopting fair and responsible remuneration policies for senior management and staff within allowed bands.
- Overseeing the link between performance and value creation with remuneration, particularly for the MM.
- Ensuring transparency by disclosing remuneration in the annual report in a manner that promotes accountability and public trust.
- Monitoring the sustainability of the municipal wage bill, especially in the context of financial recovery plans or budget shortfalls.

Councils are thus encouraged to embrace the spirit of these recommended practices even where remuneration levels themselves are not entirely within their discretion.

Principle 12: Assurance

> **Principle 12: The council ensures that assurance functions and services promote an effective internal control environment and safeguard the integrity of external reports issued by the municipality.**

Assurance (Recommended practices 119-131)

Given municipalities' use of public funds and service delivery obligations, the principle of establishing a strong assurance model is essential. The concept of combined assurance — the integration of implementation of management controls, risk and compliance management, internal audit, external audit and other assurance providers — is not expressly prescribed in local government law. However, it is considered good practice and aligns with the National Treasury's risk and internal control frameworks.

Section 165 of the MFMA mandates that every municipality must have an internal audit unit (in-house or outsourced), which accords closely with the Code's recommended practices.

Municipalities are, furthermore, subject to annual external audit by the AGSA. As such the recommended practices on external assurance should be applied in this context.

Principle 13: Stakeholders

Principle 13: The council adopts a stakeholder-inclusive approach in the execution of its duties in the long-term best interest of the municipality within its economic, social and environmental context.

Stakeholder relationships (Recommended practices 132-136)

Municipalities are required by law to promote meaningful public participation and access to information. The council should ensure that community engagement is multi-directional, inclusive and sustained — going beyond one-sided information sharing. Councils should be proactive in obtaining feedback from communities on municipal performance and service delivery; and incorporating this into future planning and reporting.

The recommended practices on stakeholder relationships are directly applicable in this context and should guide councils in how they approach stakeholder engagement — not only with communities, but also with employees, regulators, businesses and civil society.

Shareholder engagement (Recommended practices 137-144)

There are no shareholders in a municipal structure. In terms of legislation, a municipality's main duty is to serve the community which has the right to contribute to decision-making processes. In terms of section 2 of the MSA a municipality consists of a community, council and administration.

While municipalities don't have AGMs, they should have structured forms of public engagement to ensure accountability.

Relationships within groups of organisations (Recommended practices 145-150)

It should be noted that in some larger municipalities, particularly metros, certain municipal functions may be delivered via municipal entities, rather than directly by the municipality. The practices in the Code on group governance therefore apply to these larger municipalities that operate in a group context.

Where the municipality has established one or more municipal entities (MEs), the municipality assumes the role of parent in a group structure. A group governance framework should thus be developed as per the recommended practices on group governance. This involves the council ensuring that there is alignment between the plan and related budget of the ME developed in terms of section 87 of the MFMA, the municipal mandate and the IDP. There should be integration of the municipality and the ME's strategy and execution so that the ME does not operate outside of the mandate, powers and functions assigned and agreed with the municipality.

Application of King V to Municipal Entities

MEs are established by larger municipalities to perform specific municipal functions or deliver services. Most MEs are constituted as companies under the Companies Act, but because they are wholly owned by municipalities, they are also subject to the MFMA, particularly Chapter 10. This dual status means their governance should reflect both general corporate governance principles and municipal accountability requirements.

MEs are required to have their own governing bodies, typically structured as boards of directors; and operations are headed by a CEO or equivalent. The municipality should ensure that each ME within the group is recognised as a separate juristic entity to whom its board owes fiduciary duties.

The principles and recommended practices of the Code are applicable to MEs, particularly given their company status. However, they should be applied in a manner that supports the coordinated functioning between the municipality and the ME. It is essential that roles and responsibilities between the municipal council (as shareholder and oversight authority) and the ME's board are clearly defined and that service delivery agreements, shareholder compacts and related governance frameworks are put in place.

Conclusion

Good governance is essential in municipalities to ensure effective service delivery, financial accountability, public trust and legitimacy. Given their constitutional mandate and access to public resources, municipalities must uphold high standards of transparency, ethical and effective leadership and be responsive to community needs. Strengthening governance in municipalities supports better planning, reduces the risk of maladministration and enhances the legitimacy of local government in the eyes of citizens.

By thoughtfully applying the recommended practices of the Code with the appropriate sector-specific adaptations, councils can deepen their oversight role, embed robust performance management systems, strengthen institutional performance and build legitimacy through service excellence and responsive governance. Municipalities are encouraged to view King V as a dynamic framework that complements existing legislative obligations while fostering a culture of continuous improvement.