



2019/2020

RISK MANAGEMENT CHARTER

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1. CONSTITUTION

The Municipal Finance Management Act, No 56 of 2003, Section 62(1) (c) require the Accounting Officer to ensure that Okhahlamba Local Municipality has and maintains effective, efficient and transparent systems of financial and **risk** management and internal control.

The extension of general responsibilities, in terms of Section 79 of the MFMA, to all top management is the cornerstone in the institutionalisation of risk management in the municipalities.

The mandate and the responsibility for managing ethics are derived firstly from the Constitution. The Constitution of the Republic of South Africa (1996) is the fundamental legislative framework for creating good governance in the public service.

In terms of King IV Report on Corporate Governance for South Africa (2016) - The Risk Committee should assist the council in carrying out its responsibilities and council should actively manage the company's ethics performance.

It is against the backdrop of the above legislation and good corporate governance practice that Okhahlamba Local Municipality (the municipality) established a Risk Management Committee which will monitor the implementation of Risk Management as well as responses to queries that may be raised by council and its committees with regards to Risk Management. It shall provide oversight role particularly to ensure greater accountability and provide sound and quality audit responses.

The Committee is, therefore, established to assist the accounting officer in discharging risk management responsibilities as prescribed by legislation and in accordance with good corporate governance principles. To this end the Committee shall be accountable to the accounting officer.

It should also be established to ensure compliance with Code of Conduct as set out in Schedule 2 of the Local Government: Municipal Systems Act 32 of 2000.

2. OBJECTIVES AND SCOPE OF THE RISK MANAGEMENT COMMITTEE.

- The primary objective of the Committee is to assist the Municipal Manager in discharging his accountability for risk management by reviewing the effectiveness of the municipality's risk management systems, practices and procedures, and providing recommendations for improvement.
- Another objective is to provide strategic direction and oversight on the ethics management of the Municipality and Anti-Fraud and Corruption issues

3. COMPOSITION.

Permanent members of the Committee shall be formally appointed by the Municipal Manager. The members, as a collective, shall possess the blend of skills, expertise and knowledge of the municipality, including familiarity with the concepts, principles and practice of risk management, such that they can contribute meaningfully to the advancement of risk management within the municipality.

Membership shall comprise:

- Municipal Manager, and
- Heads of Department.
- Risk Management Committee Chairperson

Standing invitees to the Committee shall be:

- Risk Management & Compliance Officer
- Head of Internal Audit;
- Head of Legal Services;
- IDP/ PMS Manager
- Risk Coordinators; and
- Any other person who may be co-opted to provide specialist skills, advice and counsel.

4. AUTHORITY AND STANDARDS

- The Municipal Manager shall appoint the independent Chairperson of the Risk Management Committee and in the absence of the Chairperson, the Municipal manager should take responsibility.

- The Committee shall have the requisite authority to request management to appear before it to account for their delegated responsibilities in respect of risk management.
- The Committee shall obtain necessary cooperation and assistance from any employee in the Okhahlamba Local Municipality in relation to any information required for the execution of its function and related purposes, of which failure to conform the matter shall be reported to the Municipal Manager for intervention.
- Management shall provide tasks in mitigation of a risk in line with the Risk Management Framework of a risk being raised and implement tasks within time frames.
- The Committee shall ensure all performance contracts of senior management include responsibilities for management of risks.

5. ROLES AND RESPONSIBILITIES

5.1 Duties of the Chairperson

- Responsible for directing and monitoring
- To ensure that the Committee, as a body, fulfil its responsibilities.
- To convene periodic meetings of the Committee members as and when required.
- To lead the Committee to ensure that the business of meetings is dealt with and that decisions, when required, are clearly arrived at and recorded and their implementation monitored.
- Ensures that all members have opportunity to speak on any matter before the committee
- Provides guidance by directing the meeting , but shall not dominate
- Protects the rights of every member
- Deals with items in sequence of the confirmed agenda
- Reports Bi-annually to Executive Committee
- To provide technical expertise to the Municipality in implementing the ERM program.

5.2 Roles of the Committee Members

All Committee members shall provide information to the committee as and when required thus enabling the committee to assist the Accounting Officer in carrying out his/her responsibilities as required by MFMA that relate to:

- Financial, Management and other practices.
- Internal Controls, governance and management of risks.
- Compliance with laws, regulations and ethics.
- Organisational Culture and Ethics
- Anti-Corruption, Theft & Corruption
- Loss Prevention and Control

The Committee shall not perform any management functions or assume any management responsibilities as a committee, but will in their capacity as members of management be accountable for the risk management process within their service and promote this culture/ responsibility with every employee.

5.3 THE DUTIES OF THE COMMITTEE SHALL BE:

5.3.1 RISK MANAGEMENT

- Review the risk management policy and strategy/ framework and recommend for approval by the Municipal Manager and Council;
- Review the risk appetite and tolerance and recommend for approval by the Municipal Manager and Council;
- Review the municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
- Evaluate the effectiveness of mitigating strategies to address the material risks of the municipality;
- Report to the Municipal Manager and Audit Committee the progress on the implementation of mitigation tasks;
- Review any material findings and recommendations by assurance providers on the system of risk management and monitor that appropriate action is instituted to address the identified weaknesses;

- Develop goals, objectives and key performance indicators for the Committee for approval by the Municipal Manager;
- Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activity;
- Set out the nature, role, responsibility and authority of the risk management function within the municipality for approval by the Municipal Manager, and oversee the performance of the risk management function;
- Provide proper and timely reports to the Municipal Manager and Audit Committee on the state of risk management, together with aspects requiring improvement accompanied by the Committee's recommendations to address such issues.

5.3.3 ANTI- FRAUD AND CORRUPTION

- Monitoring of the application of the Anti-Fraud and Corruption strategy and ensuring adequate supervision and dynamism of the controls and procedures.
- Review of fraud prevention policy and recommend for approval by the Accounting Officer and Council.
- Evaluate the effectiveness of the implementation of the fraud prevention policy.
- Reviews the process implemented by management in respect of fraud prevention and ensures that all fraud related incidents have been followed up appropriately.
- An Appropriate Fraud Risk Assessment is completed.
- The reports of fraud and misconduct are effectively handled.
- Consistent and appropriate action is taken on known incidents of fraud and misconduct.
- Quarterly reports to the Audit Committee that summarises the Municipality's fraud prevention, detection and action for the period.

6. MEETINGS

The Committee shall meet at least **four** times per annum. The Chairperson of the Committee or a majority of the permanent members of the Committee may convene additional meetings as circumstances may dictate. If the Committee does not meet the quorum within 15 minutes and there is no indication that there will be a delay acceptable to the Committee, the meeting will not continue.

7. ADMINISTRATIVE DUTIES

The person as appointed by the Municipal Manager shall be the secretary of the Committee. The secretary shall forward the notice of each meeting of the Committee to all members not later than seven working days prior to the date of the meeting. The notice shall confirm the venue, time, date and agenda and include the documents for discussion.

The draft minutes of the meetings shall be completed by the secretary and sent to all relevant members for comment within five working days after the meeting. The minutes shall be approved at the immediate following meeting. The Secretary must work in close liaison with the Enterprise Risk Manager.

8. QUORUM

50% plus one of permanent members constitutes a quorum.

9. PERFORMANCE EVALUATION

The Committee shall evaluate its performance in terms of its charter at least annually.

10. REPORTING

The Progress Report prepared by Enterprise Risk Manager shall be submitted to the Accounting Officer. The Accounting Officer must report to EXCO quarterly on issues pertaining to Enterprise Risk Management. Directors must report to Portfolio Committees on a quarterly basis.

11. REVIEW OF THE CHARTER

The Committee shall review and reassess this charter on an annual basis to ensure its adequacy and relevance. The reviewed charter shall be presented to the accounting officer for final approval.

12. APPROVAL

CHAIRPERSON: RISK MANAGEMENT COMMITTEE

Date:

Approved By

ACCOUNTING OFFICER

Date: