

Risk Management Committee Charter

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1. Constitution

- 1.1 The Municipal Finance Management Act section 62 and Treasury Regulations 3.2.1 requires the Accounting Officer to ensure that Eden District Municipality has and maintains an effective, efficient and transparent system of financial management, risk management and internal control, and that risks are assessed on a regular basis.
- 1.2 The extension of the general responsibilities, in terms of Section 79 of the MFMA, to all Top Management is a cornerstone in the institutionalisation of risk management in the public service. It establishes responsibility for risk management at all levels of management extending it beyond the roles of the Accounting Officer, the internal audit units and the audit committee in this regard.
- 1.3 In terms of the King IV report on Governance for South Africa, 2016, the risk committee should assist the Audit Committee in carrying out its responsibilities.
- 1.4 It is on this basis that Eden District Municipality, in its endeavour to reinforce its internal control systems aligned with best practice, has established a Risk Management Committee which will coordinate risk matters and monitor the implementation of risk management as well as any queries that may be raised by the council and its committees. It shall provide an oversight role particularly to ensure greater accountability, and provide sound and quality audit responses.

2. Purpose of the Risk Management Committee

The Municipal Manager is ultimately responsible for Enterprise Risk Management processes. The Municipal Manager as the accounting officer must ensure that the municipality has put in place all management processes.

To assist the Municipal Manager in achieving his delegated authority in Risk Management he appoints the Risk Management Committee. The roles and responsibilities are delegated in terms of this charter.

3. Composition of the Risk Management Committee

- Member of the Audit Committee;
- Executive Managers; and

3.1 Standing invitees to the committee shall be:

- Risk Officer;
- Chief Audit Executive;
- Municipal Manager;
- Chief Risk Officer (as delegated by Municipal Manager) and
- Any other person who may be co-opted to provide specialist skills, advice and counsel.

4. Authority and Standards

- The Municipal Manager is responsible for the total process of risk management, including ensuring that the municipality has effective, efficient and transparent systems of financial management, risk management and internal control.
- The Risk Management 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 Risk Management Committee shall obtain necessary cooperation and assistance from any employee in the Eden District Municipality in relation to any information required for the execution of its function and related purposes. Failure to conform shall result in the matter being reported to the municipal manager for intervention.
- Management comments on audits:
The Managers shall respond to the audit queries within agreed timeframes after receipt of the audit report.
- Implementation of the agreed management actions:
The agreed management comments or recommendations shall be implemented to the timeframe agreed upon in the risk register.
Any actions that were not implemented within the specific timeframe should have a revised date provided.
- Linking of Risk Management to performance responsibilities for management of risks shall be linked to performance plans of Senior Management.

5. Roles and responsibilities

5.1 Chairperson

The accounting officer shall appoint the chairperson to chair the Risk Management Committee.

5.2 Roles of the Risk Management Committee Members

All Committee members shall provide information to the Committee, as and when required, to enable the Committee to assist the Accounting Officer in carrying out his/her responsibilities as required by MFMA and Treasury Regulations as they relate to:

- Financial, management and other practices
- Internal control, governance and management of risks.
- Compliance with laws, regulations and ethics.

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

5.3 The following duties and responsibilities are assigned to the Risk Management Committee:

5.3.1 The Risk Management Committee should review and assess the integrity of the risk control system and ensure that the risk policy and strategy are effectively managed.

5.3.2 The Risk Management Committee should monitor the management of all risks to the Municipality, including significant, emerging and prospective impacts.

5.3.3 To review and improve the risk policy, strategy and implementation plans. The Risk Management Committee will ensure compliance with such policies, and with the overall risk profile and the Municipality. The Committee will strive to ensure that the following risks are identified based on the following categories.

Internal Risks categorised as follows:

- Human Resource Risk
- Knowledge and Information
- Litigation

- Loss and Theft of Assets
- Material Resources (Procurement Risks)
- Service Delivery
- Information and Technology
- Third Party Performance
- Disaster/Business Continuity
- Fraud and Corruption
- Cultural Risks
- Reputational Risk
- Financial Risk
- Compliance and Regulatory Risk
- Health and Safety Risk

External Risks categorised as follows:

- Economic Environment
- Political Environment
- Social environment
- Natural Environment
- Technological environment
- Legislative Environment

5.3.4 Review risk information and assessment methodologies.

5.3.5 Review and approve the risk response strategies for the different departments.

5.3.6 Set the risk appetite for the Municipality and recommend for approval by the Municipal Manager on annual basis or as often as required.

5.3.7 Review and approve any risk disclosures in the annual financial statements.

5.3.8 Have due regard for the principles of good governance and best practice.

5.3.9 Review the Anti-Fraud Prevention Policy and recommend for approval by the Council on annual basis or as often as required.

5.3.10 Evaluate the effectiveness of the implementation of the Anti-Fraud Prevention Policy on an annual basis or as often as required.

5.3.11 Review the adequacy of the risk management processes including scope and depth on a quarterly basis or as often as required.

5.3.12 Monitor the reporting of the risk management with particular emphasis on significant risk or exposures and the appropriateness of the steps management has taken to reduce the risk to an acceptable level.

- 5.3.13 Consider progress on action plans developed as part of the risk management process by each directorate.
- 5.3.14 Review any findings and recommendation of the external auditors, internal auditors or other parties in relation to risk management and include these risks on the risk register.
- 5.3.15 Review the impact of any changes in the municipality on the risk management process and the response to these changes including the update of the risk profile.
- 5.3.16 Review legal and regulatory matters that may have a significant impact on risk including any related compliance policies, programmes and reports received from other spheres of government.

6. Administrative duties

- 6.1 The Risk Officer, or such person as appointed by the Accounting Officer, shall be the secretary of the Risk Management Committee. The secretary shall forward the notice of each meeting of the Risk Management Committee to all members no 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.
- 6.2 The minutes shall be approved at the immediately following meeting, whereupon the approved minutes will be circulated to all attendees within seven working days.

7. Quorum

- 7.1 50% plus one constitutes a quorum. A permanent member of the Committee may nominate a proxy on his / her behalf. This proviso shall lapse in the event that the permanent member fails to attend 50% or more of the Committee meetings held in that particular financial year in person.

8. Performance evaluation

- 8.1 The Committee shall evaluate at least annually its performance in terms of its charter with a detailed report of the work performed during the year.

9. Review of the charter

- 9.1 The Risk Management Committee shall review the Charter annually and recommend to the APAC for approval any amendments that may be required.

10. Approval of the Charter

- 10.1 The Risk Management Charter is endorsed by the Chairperson of the Risk Management committee and approved by the Audit and Performance Audit Committee.