

MATJHABENG LOCAL MUNICIPALITY



RISK MANAGEMENT COMMITTEE CHARTER

2018/19

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1 Introduction

Risk Management in the municipality provides a framework to identify, assess and manage potential risks and opportunities. It provides a way for Executive Authority and Management to make informed management decisions.

Effective risk management affects everyone in within the municipality. To ensure a widespread understanding, Executive Management and all program managers and operational employees should be familiar with the principles set out in the risk management policy.

The establishment of the municipal risk management committee is of vital importance to provide an oversight function on sound risk management practices and advice management accordingly.

2 Constitution

The Risk Management Committee has been established by the Matjhabeng Local Municipality to assist the Accounting Officer to fulfil his / her risk management and control responsibilities in accordance with Municipal Finance Management Act (Act 56 of 2003), Public Sector Risk Management Framework, and Corporate Governance Principles.

3 Purpose

The purpose of this document is to:

- To provide the terms of reference for which the committee will abide by.
- Outline procedures with regard to membership and meetings of the committee and how the quorum will be formed.

4 Objectives

The primary objective of the Committee is to assist the Accounting Officer in discharging his / her accountability for risk management by reviewing the effectiveness of the institution's risk management systems, practices and procedures, and providing recommendations for improvement.

5 Composition

Permanent members of the Committee shall be formally appointed by the Accounting Officer. The members, as a collective, shall possess the blend of skills, expertise and knowledge of the Institution, 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 Institution.

Membership shall comprise:

- An Independent Chairperson
- Chief Financial Officer,
- Heads of Programmes/Directors

Standing invitees to the Committee shall be:

- Chief Risk Officer;
- Chief Audit Executive,
- Compliance Officer,
- Other members of senior management;

- Any other person who may be co-opted to provide specialist skills, advice and counsel.

6 Authority

The chairperson of the Risk Management Committee should be an independent external person, appointed by the Accounting Officer.

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.

For the purposes of the functioning of the Committee, in the event that the members of the Committee are of a more junior rank than the management that they request to appear before them, the traditional rank hierarchy in the Institution shall not apply. This implies that in the context of the functioning of the Committee, the Committee members will enjoy greater powers than management although the members themselves may be of a lower status.

7 Roles and responsibilities

The duties of the Committee shall be to:

- Review the risk management policy and strategy, risk management implementation plan, and recommend for approval by the Accounting Officer;
- Review the risk appetite and tolerance and recommend for approval by the Accounting Officer;

- Review the institution'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 Institution;
- Report to the Accounting Officer any material changes to the risk profile of the Institution;
- Review the anti-fraud policy, strategy, fraud prevention plan and recommend for approval by the Accounting Officer;
- Evaluate the effectiveness of the implementation of the anti-fraud policy;
- 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 Accounting Officer;
- 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 Institution for approval by the Accounting Officer, and oversee the performance of the risk management function;
- Provide proper and timely reports to the Accounting Officer on the state of risk management, together with aspects requiring improvement

accompanied by the Committee's recommendations to address such issues.

8 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. Members should not be absent for more than two consecutive meetings. It is also advisable to appoint secondi's who will represent members during their absence.

9 Administrative duties

The Chief Risk Officer, or such person as appointed by the Chief Risk Officer, shall be the secretary of the Committee. The secretary shall forward the notice of each meeting of the Committee to all members no later than ten 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 minutes of the meetings shall be completed by the secretary and sent to all relevant officials for comment within seven working days after the meeting.

The minutes shall be approved at the immediately following meeting, whereupon the approved minutes will be circulated to all attendees within three working days.

10 Quorum

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.

11 Performance evaluation

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

12 Review of the charter

The Committee shall review the Charter annually and recommend to the Accounting Officer for acceptance any amendments that may be required.

Submitted by: _____

Acting Senior Accountant: Risk Management

_____ Date

Approved by: _____

Risk Management Committee Chairperson

_____ Date

Accepted by: _____

Accounting Officer

_____ Date