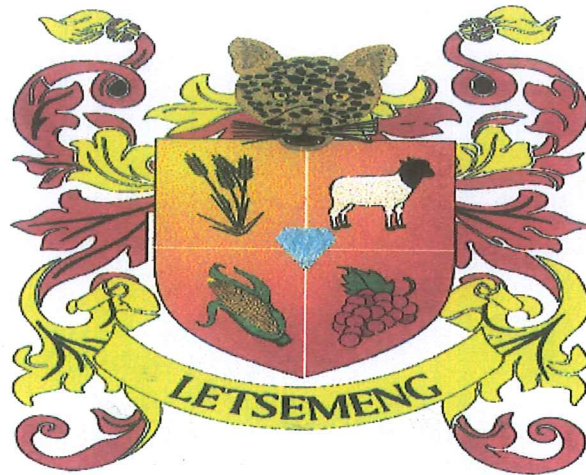


LETSEMENG LOCAL MUNICIPALITY



RISK MANAGEMENT COMMITTEE CHARTER

2019 - 2020

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1 Purpose

The purpose of this Charter is to serve as the terms of reference for which the committee members will abide and provide guidance with regard to membership, meetings of the Committee and on how the quorum will be formed.

The benefits derived from the formation of an effective Risk Management Committee are:

2 Risk Management

- To increase management focus on risk areas on a regular and systematic basis;
- To increase management review of actions taken to minimise risks that have been identified;
- To increase assurance to the Municipal Manager that adequate action has been taken to minimise/manage the risks facing the Local Municipality; and
- To increase awareness with regards to the sustainability of the municipality.

3 Fraud Prevention

- To provide direction, structure, content and to facilitate the implementation of the Fraud and Corruption Plan;
- To make decisions relating to the further development of the Fraud and Corruption Plan and ensure its effective implementation; and
- To maintain and review the Fraud and Corruption Plan on a regular basis.

Letsemeng Municipality should through the risk management process achieve, among other things, the following outcomes needed to underpin and enhance performance:

1. More sustainable and reliable delivery of services;
2. informed decisions underpinned by appropriate rigour and analysis;
3. Innovation;
4. Reduced waste;
5. Prevention of fraud and corruption;
6. Better value for money through more efficient use of resources; and
7. Better outputs and outcomes through improved project and programme management.

The net benefit should be enhancing the realisation of the Local Municipality's goals and objectives through minimum potential failures and losses. The Risk Management

Committee will review and assess the integrity of the Municipality's risk control systems and ensure that the risk policies and strategies are effectively managed.

4 Constitution

Managing Risks is fundamental to the organisation. The Municipal Finance Management Act (Act No. 56 of 2003) sections 62(1)(c)(i) and 95(c)(i) requires the Accounting Officer to ensure that their municipality has and maintains effective, efficient and transparent systems of risk management;

The Risk Management Committee has been established by the Municipality to assist the Municipal Manager to fulfil his / her risk management and control responsibilities in accordance with prescribed legislation and corporate governance principles.

- The Charter incorporates the requirements of the Batho-Pele principles and the King Code insofar as they concern risk management.
- The Charter aims to support the Municipality to improve and sustain their performance by enhancing their systems of risk management to protect against adverse outcomes and optimise opportunities.
- The charter governs the processes of the Risk Management Committee and outlines the procedures and guidelines in relation to the role of the committee.

5 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 municipality's risk management systems, practices and procedures, and providing recommendations for improvement.

6 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 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:

- The chairperson of the Risk Management Committee shall be an independent external person, appointed by the Accounting Officer
- Chief Financial Officer
- Technical Services Director
- Corporate Services Director
- Community Services Director

Standing invitees to the Risk Management Committee shall be:

- Risk Management Officer
- Internal Audit Manager or Internal Auditor as a secondi;
- Other members of senior management;
- Any other person who may be co-opted to provide specialist skills, advice and counsel.
- Any line manager or risk champion as a secondi

7 Authority

The Accounting Officer shall appoint the Chairperson and permanent members of the Committee (Include provision for head hunting).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 municipality shall not apply.

This implies that in the context of the functioning of the Committee the Committee members will enjoy greater powers than management.

8 Head Hunting

8.1 Should all efforts to secure suitable candidates as a Risk Management Committee Chairperson be unsuccessful, either at short listing or interviewing stages, the Municipal Manager shall opt for head hunting.

8.2 Head hunting shall only be considered for candidates with the scares and required skills in risk management.

8.3 Once a candidate has been head hunted, the principles of selection on merit shall be applied as for any other method of recruitment and selection;

8.4 No legitimate expectations should be created on the head hunted candidate, neither should the candidate be afforded preferential treatment during the selection process;

8.5 The Municipality may use Recruitment Agencies for external advertisement of scarce skills in risk management;

4.11.6 In instances where all other sourcing mechanisms have been exhausted and suitable candidate cannot be found, the use of specialised recruitment agencies shall be considered. A motivation to this end shall be submitted by the Director: Corporate Service through to the Municipal Manger.

9 Roles and responsibilities

The duties of the Committee shall be to:

- a. Review the risk management policy and strategy and recommend for approval by the Accounting Officer;
- b. Review the risk appetite and tolerance and recommend for approval by the Accounting Officer;
- c. Review the municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
- d. Evaluate the effectiveness of mitigating strategies to address the material risks of the Municipality;
- e. Report to the Accounting Officer any material changes to the risk profile of the Municipality;
- f. Review the fraud prevention policy and recommend for approval by the Accounting Officer;
- g. Evaluate the effectiveness of the implementation of the fraud prevention policy;
- h. 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;
- i. Develop goals, objectives and key performance indicators for the Committee for approval by the Accounting Officer;
- j. Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activity;
- k. Set out the nature, role, responsibility and authority of the risk management function within the Municipality for approval by the Accounting Officer, and oversee the performance of the risk management function; and
- l. 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.

10 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.

The Chairperson may temporarily appoint one of the committee members to chair a meeting should he/she be unable to attend. This arrangement will not be applied for more than 50% of the scheduled meetings

The agenda is to be prepared by the chairperson in consultation with the Risk Officer.

The Committee shall report to the Accounting Officer and Audit Committee any material changes to the risk management profile of the municipality

11 Administrative duties

- a. The Risk officer shall be the secretary of the Committee;
- b. The secretary shall forward the notice of each meeting of the Committee to all members no later than five working days prior to the date of the meeting;
- c. The notice shall confirm the venue, time, date and agenda and include the documents for discussion.
- d. 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.
- e. The minutes shall be approved by the chairperson at the immediately following meeting, whereupon the approved minutes will be circulated to all attendees within three working days.

12 Quorum

3 Members plus chairperson shall constitute a quorum. A permanent member of the Committee may nominate a proxy on his / her behalf. The level of position of such of such proxy may only be one lower than that of the permanent member of the Committee – Manager in the case of the municipality. 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.

13 Reporting

The Chairperson shall report to the Municipal Manager and to the Audit and Performance Committee on a quarterly basis.

The Risk Officer shall assist the Chairperson with the preparation of such a report and shall report to the Municipal Exco on a monthly basis as invited attendee.

14 Performance evaluation

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

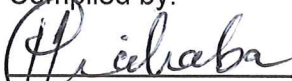
15 Travelling Reimbursement

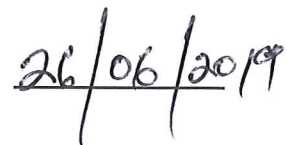
The Chairperson's reimbursement on travelling expenditure will be in accordance with rate per kilo meter as published by the National Department of Transport (AA rate), or in accordance with Council's approved travel and subsistence policy.

16 Review of the charter

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

Compiled by:


Mr T.H Lichaba



Risk Officer
Letsemeng Local Municipality

Date:

Recommendation and Approval:

The Risk Management Committee recommends the approval of this Charter:



Ms D.S Nage
Chairperson:
Risk Management Committee

26 JUNE 2019
Date:

The Accounting Officer has reviewed and approved this Charter:



Mr T L Mkhwane
Accounting Officer
Letsemeng Local Municipality

26/06/2019
Date: