

# BA-PHALABORWA MUNICIPALITY



## RISK MANAGEMENT COMMITTEE

### CHARTER

2018/19

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## **Constitution**

The charter governs the processes of the Risk Management Committee and outlines the procedures and guidelines in relation to the role of the committee.

The Risk Management Committee has been established by the Ba-Phalaborwa Municipality Institution to assist the Accounting Officer to fulfil his / her risk management and control responsibilities in accordance with prescribed legislation and corporate governance principles.

## **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.

## **Composition and remuneration of the committee members**

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:

- Chairperson (Independent Member)
- Risk Manager
- All Municipal Directors (Sec 57) (5)
- Accounting Officer
- Risk Officer

Standing invitees to the Committee shall be:

- Information & Technology Manager

- Legal Advisor
- Internal Auditor

Members who are not in the employ of the municipality/public sector will be paid a stipend (*according to Ba-Phalaborwa Municipality approved Audit Committee rates*) per meeting attended. No additional remuneration will be paid to committee members who are in the employ of the municipality.

All members of the committee are entitled to a travel expense reimbursement/claim for kilometre travelled as this would form part of their official duties. However any travel for whatsoever reason must be pre-approved by the Accounting Officer.

### **1.1 Delegation**

Members who have been appointed by the Accounting Officer to serve in the committee are not allowed to delegate their responsibilities.

#### **Authority**

The Accounting Officer shall appoint an independent external member to chair the committee meetings.

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.

### **Roles and responsibilities**

In discharging its Municipality responsibilities relating to risk management, the Risk Management Committee should:

- Develop and review the Risk Management Committee charter.
- Review the risk management policies and strategy and recommend for approval by the Accounting Officer;
- Review the risk appetite and tolerance and recommend for approval by the Accounting Officer;
- 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 Institution;
- Report to the Accounting Officer any material changes to the risk profile of the Institution and key management adhoc issues.
- Review the fraud prevention policy and recommend for approval by the Accounting Officer;
- Evaluate the effectiveness of the implementation of the fraud prevention 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, Audit Committee and Council on the state of risk management, together with aspects requiring improvement accompanied by the Committee's recommendations to address such issues.

### **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.

### **Administrative duties**

The Assistant Director: Risk Management, or such person as appointed by the Committee, 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 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 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.

### **Quorum**

50% plus one constitutes a quorum. A permanent member of the Committee may nominate a proxy on his / her behalf. This provision 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.

### Performance evaluation of the Committee

The Accounting Officer should evaluate the performance of the Risk Management Committee through the following and other relevant indicators:


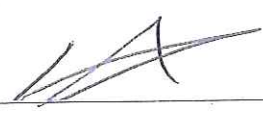

- The results of the Risk Management Committee's own 360° assessment;
- The pace and quality of the implementation of the risk management policy and strategy;
- The Internal Audit report on the state of risk management;
- The Auditor-General's report on the effectiveness of the Risk Management Committee; and
- The quality and timeliness of the Risk Management Committee's counsel and recommendations.

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

### Review and approval of the charter

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

### APPROVAL

| DESIGNATION                               | SIGNATURE  | DATE                        |
|---|--|-----------------------------|
| Developed by:<br>Manager: Risk Management |  | 12 April 2018               |
| Reviewed by:<br>Risk Management committee |   | 23 <sup>rd</sup> April 2018 |
| Recommended by:<br>Accounting Officer     |   | 4 <sup>th</sup> May 2018    |
| Council Resolution Number                 | 239 / 18   | 31 <sup>st</sup> May 2018   |