

PORTFOLIO COMMITTEE :

MANAGEMENT SERVICES

Chairperson :

Cllr A Komani

Committee Members :

**Ald M Sapepa, Ald N Botha-Guthrie,
Cllrs M Opperman & N Nqinata**

PORTEFEULJEKOMITEE :

BESTUURSDIENSTE

Voorsitter :

Rdl A Komani

Komiteelede :

**Rdh M Sapepa, Rdh N Botha-Guthrie,
Rdle M Opperman & N Nqinata**

MANAGEMENT SERVICES PORTFOLIO COMMITTEE

BESTUURSDIENSTE PORTEFEULJEKOMITEE

22 May 2018

I N D E X

ITEM

**PAGE
NUMBER**

APPLICATIONS FOR LEAVE OF ABSENCE

**STATEMENTS AND COMMUNICATIONS BROUGHT FORWARD BY
THE CHAIRPERSON**

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**AGENDA of the
Portfolio Committee : Management Services
22 May 2018
(Also the agenda for the Mayoral Committee Meeting : 30 May 2018)**

**1.
RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE**

2/B

A Riddles

(028) 313 5044

Corporate Head Office

26 April 2018

1. Executive Summary

To obtain Council's approval for the Risk Management Committee Terms of Reference, that has been reviewed by the Risk Management Committee.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate: Management Services
Risk Management Unit

3. Compliance with Strategic Priority

The provision of democratic, accountable and ethical governance

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act (No. 56 of 2003)
(MFMA)

6. Background

The Risk Management Committee's Terms of Reference is taken directly from the legal statute of the MFMA:

Section 62(1)(c)(i) " The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control;"

Clear guidelines in terms of the roles and responsibilities of the Risk Management Committee are stipulated in Chapter 13 of the Public Sector Risk Management Framework (PSRMF) produced by National Treasury.

**AGENDA of the
Portfolio Committee : Management Services
22 May 2018
(Also the agenda for the Mayoral Committee Meeting : 30 May 2018)**

Chapter 13, Section 24(4) of the PSRMF states that:

“The responsibilities of the Risk Management Committee should be formally defined in a charter approved by the Accounting Officer / Authority.”

The Authority refers to Council. Any significant changes to the terms of reference should be approved by Council.

The following significant changes have been made to the Risk Management Committee Terms of Reference according to the explanatory note:

- The responsibilities are now exactly like it is stated in the Risk Management Strategy (alignment);
- A section has been added to formalise the procedures for the attendance of proxies; and
- The disclosure requirement for conflicts of interest now refers to all attendees, not just Committee members.

GENERAL EXPLANATORY NOTE :

[] Words in bold type in square brackets indicate omissions from existing enactments.

_____ Words underlined with a solid line indicate insertions in existing enactments.

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A: Overstrand Municipality Risk Management Strategy Committee Terms of Reference

RECOMMENDATION TO THE COUNCIL:

that the Risk Management Committee Terms of Reference **be approved**.

**AGENDA of the
Portfolio Committee : Management Services
22 May 2018
(Also the agenda for the Mayoral Committee Meeting : 30 May 2018)**

RESPONSIBLE OFFICIAL : A RIDDLES

TARGET DATE FOR IMPLEMENTATION : 31 MAY 2018

Overstrand Municipality



Risk Management Committee

Terms of Reference

GENERAL EXPLANATORY NOTE:

[] Words in bold type in square brackets indicate omissions from existing enactments.

 Words underlined with a solid line indicate insertions in existing enactments.

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1. INTRODUCTION

The Accounting Officer of Overstrand Municipality has established the Risk Management Committee to assist Council with its risk governance responsibilities. This would be to formulate, promote and review the risk management objectives, strategy and policy and to monitor the process at all levels of the municipality.

The Council and Top Management recognise the inseparability of risk from strategy, performance, reputation and sustainability, and therefore strive to ensure that Overstrand Municipality maintains a structured and systematic response to risk.

This document should be read in conjunction with Overstrand Municipality's Risk Management Strategy and Policy.

2. CONSTITUTION OF THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee's terms of reference of the Overstrand Municipality is taken directly from the legal statute of the Local Government: Municipal Finance Management Act (Act 56 of 2003):

62(1)(c)(i) " The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control;"

Clear guidelines in terms of the roles and responsibilities of the Risk Management Committee are also stipulated in the Public Sector Risk Management Framework produced by National Treasury and the King Codes of Corporate Governance.

3. OBJECTIVES OF RISK MANAGEMENT COMMITTEE

The objectives of the Risk Management Committee are to ensure that:

- Overstrand Municipality maintains an effective policy and process of risk management that will enhance its ability to achieve strategic objectives.
- Overstrand Municipality monitors and responds appropriately to the organisation's key risks.
- Risk disclosures of Overstrand Municipality are transparent, accurate, comprehensive, timely and material.
- Overstrand Municipality meets the corporate governance reporting expectations of National Treasury and King III.
- The performance of Overstrand Municipality's risk management process is maintained and continually improved.

- The Senior/Top Management Team (TMT) receives assurance that key risks are properly identified, assessed, mitigated and monitored.
- A formal evaluation of the effectiveness of the risk management process is performed from time to time.
- The combined assurance activities provide adequate assurance coverage on the key risks facing Overstrand Municipality.
- The business continuity arrangements of Overstrand Municipality are sufficient.
- Ethics risk management and ethical behaviour form an integral part of the risk management of Overstrand Municipality.

4. RESPONSIBILITIES AND DUTIES OF RISK MANAGEMENT COMMITTEE

The Committee must perform all the functions deemed necessary to fulfil its role, including the following:

- Monitor the performance of the enterprise risk management process;
- Review the risk management strategy, risk management policy and risk management implementation plan, and recommend for approval by the Municipal Manager and Council;
- Review the risk appetite and risk tolerance and recommend for approval by the Municipal Manager and Council;
- Review the progress made with the implementation of the risk management strategy of the Municipality;
- **[Consider whether risk management processes are implemented to ensure that risks are adequately mitigated. Management is accountable for integrating risk management into the daily activities of the Municipality;]**
- **[Evaluate the risk profile of Overstrand Municipality; reviewing the risk analysis, remedial action instituted and the overall effectiveness of the risk responses.]**
- Report to the Municipal Manager any material changes to the risk profile of the Municipality;
- **[The Committee must satisfy itself]**Ensure that the Municipality's strategy and **[business]** plans are not encumbered by risks that have not been thoroughly examined by management;
- Ensure that the roles and responsibilities of management with regard to risk management are clear and communicated;
- **[Review the risk management culture of Overstrand Municipality;]**

- Review the Municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register, to ensure that all possible categories of risks, both internal and external, have been identified during the risk assessment process, including an awareness of emerging risks. Assessments must include **[IT, ethics, sustainability, compliance and reputation risks as well as for]** major projects and new ventures;
- **[Ensure that management has performed formal risk assessments, and if necessary, comment on the plans for managing those risks. The Committee should ensure that adequate assurance is given over key controls;]**
- Evaluate the effectiveness of mitigating strategies to address the material risks of the Municipality;
- Review the fraud prevention strategy, policy and plan and recommend for approval by the Municipal Manager and Council;
- Evaluate the effectiveness of the implementation of the fraud prevention policy;
- Review the code of ethics and recommend for approval by the Municipal Council;
- Evaluate the progress with the institutionalisation of an ethical culture;
- Evaluate the effectiveness of the incorporation of ethics risk management in the risk management process;
- **[Overstrand Municipality's strategic risks must be reviewed formally at least four times a year (quarterly), and the results communicated]**Review the strategic risks at least quarterly and communicate the results [to this Committee and] to the Municipal Manager and Council;
- **[Risk dashboards and all departmental/]**Review the operational and project risk registers [must be reviewed annually]quarterly;
- **[Risk registers/dashboards for support units & operations must be monitored monthly;]**
- Monitor the possibility of **[unpredictable and catastrophic]** unforeseen risk events through assessment of incident risks;
- Monitor the possibility of **[and]** unpredictable risk events through assessment of emerging risks;
- Ensure that continuous risk monitoring by management takes place;
- Provide proper and timely reports to the Municipal Manager on the state of risk management, together with aspects requiring improvement accompanied by the Risk Management Committee's recommendations to address such aspects;

- Advise Council and other stakeholders on urgent and emerging risk issues and required initiatives;
- Review the business continuity framework and recommend for approval by the Municipal Council;
- Review and approve the Business Continuity Committee Terms of Reference;
- Review [Overstrand Municipality's contingency planning arrangements and business continuity management plans]the effectiveness of the Business Continuity Committee and provide recommendations for improvement;
- Review [and approve] the combined assurance policy framework and recommend for approval by the Municipal Council;
- Review the combined assurance model and evaluate the effectiveness of assurance activities;
- Develop goals, objectives and key performance indicators for the Risk Management Committee for approval by the Municipal Manager;
- Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management function for approval by the Municipal Manager and Council;
- 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;
- Promote the improvement of risk maturity through institutionalisation of a risk management culture that will enhance the risk profile of the Municipality.

Members are also expected to:

- contribute the time needed to study and understand the risk related documents provided;
- apply good analytical skills, objectivity and good judgment; and
- express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

5. AUTHORITY OF RISK MANAGEMENT COMMITTEE

The Council supports and endorses the establishment of the Risk Management Committee.

The Risk Management Committee assists the Council to monitor and review the risk management strategy and policy of Overstrand Municipality and to ensure the implementation thereof across the entire sphere of the municipality.

The Risk Management Committee has unrestricted access to all information (unless there are sound legal or other reasons for not having such unrestricted access), including records, property and personnel of Overstrand Municipality, and must be provided with adequate resources to fulfil its responsibilities. The Committee must uphold the confidentiality of all confidential information placed before it.

The Committee is authorised by the Accounting Officer to:

- Investigate any activities within its terms of reference.
- Seek outside legal or other independent professional advice.
- Secure the attendance of outsiders with the relevant experience and expertise where necessary at Overstrand Municipality's expense.
- Discuss any matters pertaining directly or indirectly to risk management processes with internal and external auditors, or other external parties (subject to confidentiality considerations).
- Request the attendance of any Overstrand Municipal **[employee]** staff member at the Risk Management Committee meetings to give clarity or elaborate on specific matters of discussion.
- Seek any information it requires from any **[employee]** staff member, and all **[employees]** staff are directed to co-operate with any requests made by the Risk Management Committee.

6. MEMBERSHIP OF THE RISK MANAGEMENT COMMITTEE

6.1. COMPOSITION

The Risk Management Committee members and its Chairperson are appointed by the Accounting Officer to assist Council to discharge their responsibilities for risk management.

The Risk Management Committee must be representative of the top management of Overstrand Municipality across a variety of disciplines. The Chief Risk Officer (CRO) and the Chief Audit Executive (CAE) will have a standing invite to Risk Management Committee meetings.

All members of the Committee shall have a working familiarity with risk assessments and risk management. The members of the Committee shall be knowledgeable about the affairs of the Overstrand Municipality and where appropriate specific skills shall be represented in the capacity of the CRO.

6.2. PROXIES

A duly authorised person acting in the member's absence may attend a Risk Management Committee meeting on behalf of the member. The Chairperson must approve attendance by proxies of invitees.

6.3. OTHER

The Chairperson may request any other Overstrand Municipal **[employee]** staff member and/or external party to attend Risk Management Committee meetings or participate in certain agenda items.

7. MEETINGS OF THE RISK MANAGEMENT COMMITTEE

7.1. FREQUENCY

The Risk Management Committee is required to meet **[four times a year]** quarterly.

The Chairperson **[is required to]**must call a meeting if required by the Council or another Risk Management Committee member.

Meetings must be held in person, or in special circumstances, by telephone or videoconference.

7.2. SECRETARIAT FUNCTION

A Secretary must be appointed to compile the agenda and minute the meetings of the Risk Management Committee, and distribute the documents to the Committee members, invitees and other relevant personnel.

7.3. AGENDA OF MEETINGS

The Secretary must ensure that the agenda for each meeting and supporting documents are circulated, after approval from the Chairperson, at least seven days prior to the meeting.

Newer versions of supporting documents may be circulated before the start of the meeting with the permission of the Chairperson.

7.4. MINUTES OF MEETINGS

The Secretary must attend and minute all meetings. The minutes of the meetings must be completed within fourteen days of such meeting and after approval from the Chairperson, shall be circulated to all members of the Risk Management Committee, invitees and other relevant personnel as directed by the Committee.

The minutes shall be available to the Council as required by them. The minutes, accompanied by a quarterly progress report, [and shall also]will be made available to the Joint Audit & Performance Audit Committee.

The minutes will be formally approved by the Risk Management Committee at the next meeting.

7.5. QUORUM

One third of the members must attend to constitute a quorum.

8. ADMINISTRATIVE ARRANGEMENTS

8.1. SPECIFIC REPORTING (REQUIREMENTS)

The Risk Management Committee may, at any time, report to Council and to the Joint Audit & Performance Audit Committee on any other matter it deems of sufficient importance to do so.

8.2. CONFLICTS OF INTEREST

The Risk Management Committee members, invitees and secretary must declare any conflicts of interest at the commencement of each Committee meeting or prior to discussion of the relevant agenda item or topic. Details of any conflicts of interest should be kept on record.

If a member, secretary or invited participant of a Risk Management Committee meeting is deemed to have a real, or perceived, conflict of interest, then it may be appropriate for them to be excused from Committee deliberations on the relevant issue.

8.3. REVIEW OF THE RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

The Risk Management Committee will review this document on an annual basis in consultation with the Accounting Officer and/or Council of Overstrand Municipality. Any changes to the terms of reference will be recommended by the Risk Management Committee and will be formally approved by the Council of Overstrand Municipality.

Review history:

Policy Section	Risk Management Unit
Current update	31 May 2017
Approved by Council	29 March 2017