



BITOU MUNICIPALITY

RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

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RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE – BITOU MUNICIPALITY (WC 047)

CONTENTS

1 CONSTITUTION..... 3

2 OBJECTIVES..... 3

3 AUTHORITY 4

4 COMPOSITION 4

5 CHAIRPERSON 6

6 ROLES AND RESPONSIBILITIES..... 6

7 MEETINGS..... 7

8 QUORUM OF MEETINGS..... 8

9 ADMINISTRATIVE FUNCTIONS..... 8

10 PERFORMANCE EVALUATION..... 9

11 REVIEW OF THE TERMS OF REFERENCE..... 10

12 APPROVAL OF THE TERMS OF REFERENCE 9

ADDENDUM 1

1 REMUNERATION

1 CONSTITUTION

- 1.1. The Risk Management Committee (RMC) has been established by Bitou Municipality to assist the Accounting Officer to fulfil his risk management and control responsibilities in accordance with prescribed legislation and corporate governance principles.
- 1.2. Section 62 of the Municipal Finance Management Act requires the Accounting Officer to ensure that Bitou Municipality has and maintains an effective, efficient and transparent system of financial management, risk management and internal control, and those risks are assessed on a regular basis.
- 1.3. The extension of the general responsibilities, in terms of Section 78 of the MFMA, to all Executive 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 Unit and the Audit and Performance Audit Committee in this regard.
- 1.4. Bitou Municipality has established the Risk Management Committee in terms of the Local Government: Municipal Finance Management Act (No.56 of 2003), and the Local Government: Municipal Systems Act (No.32 of 2000). This Terms of Reference is intended to guide the Risk Management Committee when performing its functions; to produce proper corporate governance in terms of the King IV report, the National Treasury Public Sector Risk Management Framework, Bitou Municipality's Enterprise Risk Management Policy and other best practice guidelines.

2 OBJECTIVES

- 2.1. The primary objective of the Risk Management Committee is to assist the Accounting Officer, Council and Audit Committee in discharging their accountability for enterprise risk management by reviewing the effectiveness of the Bitou Municipality's risk management systems, practices and procedures, and providing recommendations for improvement.
- 2.2. The Terms of Reference (ToR) is intended;
 - To provide guidance to the Risk Management Committee when performing their functions;

- To promote corporate governance in terms of King IV, National Treasury's Public Sector Risk Management Framework and other guidelines.

3 AUTHORITY

- 3.1. The Accounting Officer is responsible for risk management, including ensuring that the Municipality has effective, efficient and transparent systems of financial management, risk management and internal control.
- 3.2. This Terms of Reference sets out the specific responsibilities delegated by the Accounting Officer and Council to the Committee and provides support for the manner in which the Committee will operate.
- 3.3. The Risk Management Committee will foster a culture within Bitou Municipality that emphasizes and demonstrates the benefits of a risk – based approach to internal control and management of the Municipality.
- 3.4. The Risk Management Committee shall have the requisite authority to request any official to appear before it to account for their delegated responsibilities in respect of risk management.
- 3.5. The Risk Management Committee shall have full, free and unrestricted access to any information of Bitou Municipality and / or relating to Bitou Municipality required for performing its functions.

4 COMPOSITION

- 4.1. The Accounting Officer shall formally appoint permanent members of the Committee.
- 4.2. The members, as a collective, shall possess the blend of skills, expertise and knowledge of Bitou Municipality, including familiarity with the concepts, principles and practices of risk management, such that they can contribute meaningfully to the advancement of risk management within the Municipality.
- 4.3. Membership shall comprise as follows:
 - Chairperson: Member of the Audit Committee that is not in the employ of Bitou Municipality

- Directorate: Office of the Municipal Manager (Accounting Officer)
- Directorate: Financial Services (Chief Financial Officer)
- Directorate: Corporate Services
- Directorate: Economic Development & Planning
- Directorate: Engineering Services
- Directorate: Community Services

4.4. Standing invitees to the Risk Management Committee shall be:

- Chief Risk Officer
- Senior Manager Governance & Compliance
- Senior Manager Internal Audit
- Risk Champions
- Manager: IDP
- Manager: PMS
- Manager: Legal Services
- Senior Manager: Public Safety (Fire, Disaster, Law Enforcement & Security Risk)
- Senior Manager: Human Resources Management (OHS risk incidents)
- Manager: ICT (ICT risks)
- Any other official of the Bitou Municipality, when necessary
- Any representative from other government institutions e.g. AGSA
- Chairperson of Audit Committee
- Councilor responsible for Good Governance
- Executive Mayor

- 4.5. When a Director that is part of the Risk Management Committee is absent or the position is not yet filled, the designated official mandated to act in the position of Director will resume the responsibilities as the Risk Management Committee member. The designated officials mandated to act shall abide by the relevant rules and regulations of the Risk Management Committee.

5 CHAIRPERSON

- 5.1. The Accounting Officer shall appoint the chairperson of the RMC, which appointment shall be ratified by Council.
- 5.2. The Chairperson shall be an independent external person from Bitou Municipality.
- 5.3. The Chairperson shall be appointed for a period of three (3) years. The term of appointment may be extended for a further three (3) years, based on performance.
- 5.4. The Chairperson shall not serve on the Risk Management Committee for a period exceeding six (6) years.
- 5.5. After serving on the Risk Management Committee, a cooling off period of two (2) years shall be provided for, before appointing the same member to the Risk Management Committee.
- 5.6. If the Chairperson is absent from a meeting for whatsoever reason, the members should elect a Chairperson to chair that particular meeting.

6 ROLES AND RESPONSIBILITIES

The duties of the Risk Committee shall be to:

- 6.1. Review the risk management policy, strategy, risk universe and RMC terms of reference and recommend for approval by the Council;
- 6.2. Review the risk management implementation plan and recommend for approval by the Accounting Officer;
- 6.3. Evaluate and monitor the progress of the risk management implementation plan;

- 6.4. Review the risk appetite and tolerance and recommend for approval by the Accounting Officer;
- 6.5. Review the institution's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
- 6.6. Monitor the management of material risks to the Municipality, including emerging risks and prospective impacts
- 6.7. Evaluate the effectiveness of mitigating strategies to address the material risks of Bitou Municipality;
- 6.8. Report to the Accounting Officer and Audit Committee any material changes to the risk profile of the Institution;
- 6.9. Review the fraud prevention policy and recommend for approval by the Council;
- 6.10. Evaluate the effectiveness of the implementation of the fraud prevention policy;
- 6.11. 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;
- 6.12. Consider progress on action plans developed as part of the risk management process by each directorate;
- 6.13. Develop goals, objectives and key performance indicators for the Committee for approval by the Accounting Officer;
- 6.14. Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activity;
- 6.15. Set out the nature, role, responsibility and authority of the risk management function within the Institution for approval by the Accounting Officer,
- 6.16. Provide proper and timely reports to the Council on the state of risk management, together with aspects requiring improvement, accompanied by the Committee's recommendations to address such issues.

7 MEETINGS

Title: Risk Management Committee Terms of Reference FY 2020-21

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- 7.1. The Risk Management Committee shall meet at least four times per annum and at such additional times as may be necessary to carry out its responsibilities.
- 7.2. The Chairperson of the Committee or a majority of the permanent members of the Committee may convene additional meetings as circumstances may dictate.
- 7.3. The Chairperson shall call a meeting for the Risk Management Committee if requested to do so by the Accounting Officer, Mayoral Committee or Council.

8 QUORUM OF MEETINGS

- 8.1. Fifty percent (50%) plus one (1) constitutes a quorum for Risk Management Committee meetings.

9 ADMINISTRATIVE FUNCTIONS

- 9.1. Corporate Services (Administration Services) shall perform secretariat functions of the Risk Management Committee.
- 9.2. Meeting agendas will be prepared in consultation with the Chairperson and provided in advance to Risk Management Committee members, along with appropriate briefing materials.
- 9.3. The secretary shall forward the notice of each meeting of the Committee to all members no later than five (5) working days prior to the date of the meeting.
- 9.4. The Accounting Officer shall undersign the notice, confirm the venue, time, date and agenda, and include the documents for discussion.
- 9.5. The secretary shall complete the minutes of meetings within seven (7) working days after the Risk Management Committee meeting, electronically circulate it to all members in attendance for comment/approval within fourteen (14) working days and thereafter electronically send it to the Chairperson for approval.
- 9.6. The minutes shall be approved electronically within twenty one (21) working days following the meeting.

- 9.7. The approved minutes will be circulated to all Attendees, Committee Members, Chairperson and Councillor responsible for Good Governance, Speaker and Executive Mayor within three (3) working days after approval.
- 9.8. Minutes of proceedings and resolutions of Risk Management Committee meetings will be kept by the secretary and will be electronically approved by the Chairperson.

10 PERFORMANCE EVALUATION

- 10.1. The Committee will annually undertake self - assessment on its performance.
- 10.2. The Chairperson will provide each member with feedback on that member's contribution to the Committee's activities at least once during a member's term of office.
- 10.3. The assessment will include training needs for each Committee Member.

11 REVIEW OF THE TERMS OF REFERENCE

- 11.1 The Risk Management Committee will annually review its Terms of Reference to ensure that it remains relevant to the Risk Management Committee's authority, objectives and responsibilities.
- 11.2 All changes or amendments to the Terms of Reference will be discussed and recommended for approval by the Council.

12 APPROVAL OF THE TERMS OF REFERENCE

- 12.1 The Risk Management Committee Terms of Reference is endorsed by the Chairperson and Members of the Committee and recommended to the Council for approval.

ADDENDUM I

INFORMATIVE ADDENDUM TO RMC TERMS OF REFERENCE

1 REMUNERATION

- 11.1. The external members of the Risk Management Committee shall be remunerated for attending Risk Management Committee meetings.
- 11.2. Bitou Municipality will utilise the rates provided by National Treasury as amended from time to time.
- 11.3. Remuneration will only be applicable to Risk Management Committee Members not employed in public service. No remuneration will be payable to officials employed at national, provincial and local government, its agencies or entities. Only travel allowance and/or data costs may be paid to these officials, if proof is submitted that their respective employers do not reimburse them for such.
- 11.4. The reimbursement for travel expenditure / data costs must be determined in accordance with the Council approved policy. All particulars must be completed on a claim form and submitted to the Municipality.
- 11.5. External members of the Risk Management Committee shall be remunerated as per clause 11.1 for attending work-related workshops as approved by the Municipal Manager.