

RATLOU LOCAL MUNICIPALITY



RISK MANAGEMENT COMMITTEE MANDATE

1. Risk Management Committee

1.1 Introduction

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

Effective Risk Management affects everyone in the Municipality. To ensure a widespread understanding, Executive Management and all operational/program managers should be familiar with, and all staff and councilors be aware of, the principles set out in the Risk Management Policy.

1.2 Risk Management Committee mandate

The main objective of the Risk Management Committee is to review and assess the effectiveness of risk management and control process within the Municipality and to present their findings to the Audit Committee.

The main functions of the Risk Management Committee are to:

Identify and agree the risk profile of the Municipality.

- Establish and maintain a common understanding of the risk universe that needs to be addressed in order to achieve strategic objectives.
- Ensure that management has effectively identified the key operational risk and incorporate them into their activities.
- Assess the appropriateness of management responses to significant risks.
- Consider the control environment directed towards the proper management of risk.
- Co-ordinate the municipality's assurance efforts – to avoid duplication, ensure adequate coverage of the risks and decide on what assurance efforts are appropriate to provide the coverage.

- Assess the adequacy of the assurance efforts provided by management, internal audit and external audit.
- Consider (discussed, debate) the results/reports of the combined assurance efforts by all assurance providers and to ensure that appropriate action is taken to address identified areas for improvement.
- Keep abreast of all changes to the risk management and control system and ensure the risk profile and common understanding is updated, as appropriate.
- Report to the Audit Committee on the work undertaken in establishing and maintaining the understanding of the risks that needs to be managed and the adequacy of action taken by management to address identified areas for improvement.
- Satisfy the MFMA, other legislation and corporate government reporting requirement.

The Audit Committee is responsible for ensuring that the primary objective and functions of the Risk Committee as set out above are adequately and effectively achieved. The executive management is responsible for ensuring that the actions from the Risk Management Committee are addressed, by allocating the appropriate resources.

1.3 Membership

The risk Management Committee is a function of executive management and representation on the committee should include managers who report directly to the MUNICIPAL MANAGER and appropriate assurance providers.

The committee is chaired by the Municipal manager. Other members of management, staff and third parties may be invited to be present as and when required.

1.4 Meetings

The type of operation as well as the intervals at which the audit committee meet, will dictate the frequency of scheduled meetings. Best practice in this regard is four times per annum.

The Risk Management Committee should meet at least as often as the Audit Committee, preferably prior to the Audit Committee meetings to review its reporting to this meeting. The Risk Management Committee may meet more often dependence on the circumstances.

A key principle is that the Risk Committee meets approximately two weeks prior to the Audit Committee, to discuss and clear representations that will be made to the Audit Committee.

1.5 Assurance providers

Internal Audit Directorate is identified as the most appropriate assurance provider and the Audit Committee must finally approve the scope of coverage.

Management may be engage as assurance provider as part of its ongoing activities or as part of an identified special project.

1.6 Planning

The risk management plan needs to consider the risks identified in the operation. For example, the top 10 or 20 most significant risks should be deliberated on an annual basis. In practice, a maximum of five to six risks topics can be productively discussed at one meeting.

The Risk Management Committee will then decide on the internals at which they should discuss the various risks, taking into account any other forums where the risks are considered. Should operational risks be adequately covered in other management forums they may be excluded from the Risk Committee's deliberations.

Part of the planning process is to ensure that the relevant assurance providers are schedule to complete their investigation, audit or research and be able to report back at the appropriate Risk Management Committee meeting.

To ensure that changes in the operating environment are considered in the risk assessment on a timely basis, “New risks identified” should be a standard agenda item.

The risks, as the Risk Management Committee discusses them, lead to a continuous update of:

- The risk assessment;
- Management’s response; and
- The status of the controls in place.

1.7 Standards and procedures

- The scope of operations of the Risk Committee is detailed in a Risk Management Policy, which is specifically tailored to the Provincial Treasury’s requirements.
- The Risks Management Committee requires a formal agenda and minutes.
- All members should be provided the opportunity to add items to the agenda beforehand.
- All participants are expected to fully participate.
- Submission to the committee are completed in sufficient time to ensure members may consider the issues raised by the time the Risk Management Committee meeting takes place.
- The annual internal audit plan should be considered by the Risk Management Committee, and a recommendation made to the Audit Committee, on the acceptance or otherwise thereof.

- Progress against the combined assurance strategy/plan and the internal audit plan is also discussed at these meetings