

KWADUKUZA MUNICIPALITY



RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

FINANCIAL YEAR 2023/2024

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1. OBJECTIVES

The Ethics, Fraud and Risk Management Committee is an oversight and support committee which assists the Accounting Officer in discharging his responsibility for ethics, fraud and risk management by reviewing the effectiveness of the Municipality's ethics, fraud and risk management systems, practices and procedures and providing recommendations for improvement.

2. LEGAL MANDATE

a) **Section 62(1)(c)(i) of the Municipal Finance Management Act, 2003** requires that: 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 (c) that the municipality has and maintains effective, efficient and transparent systems (i) of financial and risk management and internal control

b) **Section 3.2.1 of the Treasury Regulations** states the following:

“The accounting officer must ensure that a risk assessment is conducted regularly so as to identify emerging risks of the institution. A risk management strategy which must include a fraud prevention plan, must be used to direct internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks”

c) In terms of **section 78 of the Municipal Finance Management Act**, Risk management responsibilities are extended to all Executive Directors and other officials of municipalities. This implies that responsibility for risk management vests at all levels of management and personnel and is not limited to only the Municipal Manager, the Risk Management Unit or Internal Audit Division.

The Ethics, Fraud and Risk Management Committee is a Committee appointed by the Accounting Officer (Municipal Manager) as an oversight Committee.

3. COMPOSITION

Members of the Committee shall be appointed in writing by the Accounting Officer:

The committee shall consist of the following members

- a) All Executive Directors
- b) Municipal Manager and
- c) Independent person as Chairperson of the committee

An external independent person as Chairperson of the committee shall be appointed by the municipal council.

The following shall be the standing invitees to risk management committee meetings:

- (i) Director Internal Audit;
- (ii) Director Risk & Compliance;
- (iii) Assistant Manager Risk & Ethics;
- (iv) Director Performance Monitoring & Evaluation;
- (v) Director Integrated Development Planning;
- (vi) Director Legal;
- (vii) Director ICT;
- (viii) Risk Champions;
- (ix) Director Human Resources (for Occupational Health and Safety matters) and
- (x) Any other official that committee may require from time to time.

The municipality shall provide secretariat to the committee

4. ROLES AND RESPONSIBILITIES

4.1 Responsibilities of Risk Management Committee

The duties of the Committee shall be to:

- a) Ensure that ethics, fraud and risk assessments are conducted regularly to identify emerging risks for the Municipality.
- b) Ensure that Ethics and fraud management strategy/plan, which includes fraud prevention plan, available to direct internal audit effort and priority and to determine the skills required of managers and staff to improve controls and to manage these risks.

- c) Ensure that the Risk Management strategy/ plan is clearly communicated to all officials using intranet/ website and it is incorporated into a culture of the Municipality, and that it is embedded in the behavior and mind-set of its staff.
- d) Review and recommend to the Council the following:
 - I. Enterprise-wide Risk Management Policy
 - II. Enterprise-wide Risk Management strategy
 - III. Ethics and Fraud implementation plan
 - IV. Enterprise-wide Risk Management implementation plan
- e) Review the Municipalities risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register.
- f) Review reports of significant incidents and major frauds (both potential and actual) including the evaluation of the effectiveness of the response in investigating any loss and preventing future occurrence.
- g) Monitor progress on implementation of action plans developed as part of the risk management process.
- h) Monitor the management of significant risks to the Municipality, including emerging and prospective impacts
 - i) Make recommendations to the Council on the development of strategy, policy, procedures and processes on ethical matters.
 - j) Make recommendations to the Council on steps to be taken to establish a culture of integrity and honesty in all of the Municipalities business dealings.
- k) Review and monitor policies and procedures for the identification, assessment, management and reporting of ethical risk.
- l) Review and monitor the policies and procedures to prevent persons associated with the Municipality from engaging in bribery;
- m) Review and monitor the development and adoption of, and compliance with, the Municipality's ethical due diligence policies and procedures covering:
 - (i) business relationships and activities, including the Municipalities agents and intermediaries;

n) Review regular reports from the Municipalities team responsible for Compliance and keep under review the adequacy and effectiveness of the Municipalities compliance function.

o) At least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Council for approval.

4.2 Responsibilities of Chairperson

- a. Reporting responsibilities to Audit Committee and Council
- b. Provide technical and capacity building support on risk management and related matters to the municipality as and when required
- c. Ensure the alignment of the organizational risks with the strategic plan and objectives of the Municipality.
- d. Review the results of the ethics, fraud and risk assessment to determine material risks to which the Municipality may be exposed to and to evaluate strategies to mitigate those risks.
- e. Review any material findings and recommendations by assurance providers on the system of Risk Management and Internal Audit to ensure that risks emanating from audit findings and forensic investigations are included in the risk register and that relevant mitigating plans are put in place timeously
- f. Monitor the reporting of risk by management with particular emphasis on significant risks or exposures and the appropriateness of the steps management has taken to reduce the risk to an acceptable level.
- g. Recommend to the Accounting Officer appropriate remedial action where it is found that any Executive Director has failed to execute his responsibilities with regard to risk management.

5. POWERS AND AUTHORITY

The Chairperson of the Committee shall escalate all Ethics, Fraud and Risk Management issues to the Accounting Officer, Audit Committee and Council timeously through formal reports which include the minutes, resolutions and action plans of the committee.

6. MEETINGS

- a) The Committee shall meet at least four (4) times per annum.
- b) The Chairperson of the committee or a majority of the permanent members of the Committee may convene additional meetings as circumstances may dictate.
- c) In the absence of the Chairperson the Municipal Manager shall assume chair responsibilities.
- d) Attendance is compulsory and a non-attending member must notify the Municipal Manager; and send an apology for non-attendance prior to the meeting.
- e) Every member/proxy present at a meeting shall sign the attendance register, which shall be kept by the committee secretary for record purposes.
- f) It is compulsory for permanent members of the Committee to attend at least three standard meetings annually and may nominate a proxy once in a year to attend on his / her behalf.

7. QUORUM OF MEETINGS

- a) Quorum shall be constituted by 50% plus one of the Committee members. Appointment of the proxy by the members. Proxy cannot attend more than 25% of the meeting.
- b) Formal appointment of proxy by the members. The proxy shall be at least one level below the permanent member level. Proxy cannot attend more than 25% of meetings.

8. REVIEW OF THE TERMS OF TERMS OF REFERENCE

- a) The Committee shall review the terms of reference annually or when the need arises to ensure that they remain relevant with the Committees authority, objectives and responsibilities.
- b) All changes and or amendments to the terms of reference shall be approved by the Ethics, Fraud and Risk Management Committee.

9. APPROVAL

The Ethics, Fraud and Risk Management Committee Terms of Reference is formally adopted by Municipal Council and implemented by KwaDukuza Municipality with effect from the 1st of July 2023.

RECOMMENDED BY:

19/06/2023

RISK MANAGEMENT COMMITTEE

DATE

ADOPTED BY KDM COUNCIL:

COUNCIL RESOLUTION

DATE