



Province of the

**EASTERN CAPE**

RURAL DEVELOPMENT AND  
AGRARIAN REFORM

# **RISK MANAGEMENT COMMITTEE CHARTER**

**RISK MANAGEMENT UNIT**

**FEBRUARY 2023**

## TABLE OF CONTENTS

ACRONYMS .....	iii
DEFINITION OF TERMS AND CONCEPTS .....	iv
1. ESTABLISHMENT .....	1
2. OBJECTIVE AND ACCOUNTABILITY .....	1
2.1 OBJECTIVES .....	1
2.2 ACCOUNTING OFFICER'S COMMITMENT .....	1
3. INDEPENDENCE OF THE COMMITTEE .....	1
4. MEMBERSHIP .....	2
5. POWERS/AUTHORITY OF THE RISK MANAGEMENT COMMITTEE .....	2
6. ROLES AND RESPONSIBILITIES .....	3
6.1 RISK MANAGEMENT COMMITTEE CHAIRPERSON .....	3
6.2 RISK MANAGEMENT COMMITTEE .....	4
6.3 SECRETARIAT .....	5
7. INDUCTION AND CONTINUOUS EDUCATION .....	5
8. MEETINGS .....	5
9. REVIEW OF CHARTER .....	6
10. RECOMMENDATIONS AND APPROVAL .....	6

## ACRONYMS

**AO** – Accounting Officer

**CAE** – Chief Audit Executive (Head of Internal Audit Services)

**COSO** – The Committee of Sponsoring Organisations of the Treadway Commission

**CRO** – Chief Risk Officer (Head of Risk Management Unit)

**ERM** – Enterprise Risk Management

**HoD** – Head of department

**MEC** – Member of Executive Council

**PFMA** – Public Finance Management Act

**PT** – Provincial Treasury

**RMC** – Risk Management Committee

**SMS** – Senior Management Services

**TR** – Treasury Regulations

## DEFINITION OF TERMS AND CONCEPTS

**Definitions** – In this Charter, unless the context indicates otherwise mean:

**Risk** – is the effect of uncertainty on objectives **(ISO 31000:2018)**

**Enterprise risk management** – is a set of coordinated activities to direct and control an organization with regard to risk **(ISO 31000:2018)**

**Impact or Severity or Consequence** – Outcome of an **event**

**Likelihood/Probability** – Extent to which the **event** is likely to occur

**Event** – Occurrence of a particular set of circumstances

**Source/Cause** – Item or activity having a potential for a consequence

**Risk Criteria** – Terms of reference by which the significance of risk is assessed

**Stakeholder** – any individual, group or organisation that can affect, be affected by, or perceive itself to be affected by a risk

**Interested Party** – Person or group having an interest in the performance or success of an organization, e.g. customers, suppliers, bankers, unions, or society

**Risk Perception** – Way in which a stakeholder views a risk based on a set of values or concerns

**Risk Assessment** – Overall process of risk analysis and risk evaluation in order to identify potential opportunities or minimise loss.

**Risk Analysis** – Systematic use of information to identify sources and to estimate the risk

**Risk Identification** – Process to find, list and characterise elements of risk

**Risk Driver** – The technical, programmatic and supportability facets of risk.

**Risk Evaluation** – Process of comparing the estimated risk against given risk criteria to determine the significance of the risk

**Risk Champions** – Officials drawn from programs to assist management in their risk management responsibilities.

**Risk Matrix** – The numbers of levels of probability and consequences chosen against which to measure risk.

**Risk Profile** – The department has an inherent and residual risk profile. These are all the risks faced by the department, ranked according to a risk matrix. The Risk Score is determined by multiplying the likelihood and impact of the risk.

**Risk Appetite** – The level of risk that the organisation is prepared to accept without further mitigation action being put in place or the amount of risk an organisation is willing to accept in pursuit of value

**Risk Register** – A formal listing of risks identified, together with the results of the risk analysis, risk evaluation procedures together with details of risk treatment, risk control, risk reduction plans

**Key Risks** – Risks which the organisation perceives to be its most significant risks

## **1. ESTABLISHMENT**

The Risk Management Committee is established to assist the Accounting Officer to fulfill his risk management and internal controls responsibilities in accordance with prescribed legislation and corporate governance principles.

## **2. OBJECTIVE AND ACCOUNTABILITY**

### **2.1 OBJECTIVES**

The primary objective of the committee is to assist the Accounting Officer discharge his accountability for risk management by:

- a. Reviewing the effectiveness of the department's risk management systems, practices and providing recommendations for improvement;
- b. Monitoring the department's risk management implementation

### **2.2 ACCOUNTING OFFICER'S COMMITMENT**

The Committee is accountable directly to the Accounting Officer and the Accounting Officer is committed to providing the requisite support to ensure the effective functioning of the committee by:

- a. Ensuring that risk management forms part of performance agreements of Risk Owners and Action Owners, i.e. members of Senior Management Service and Deputy Directors
- b. Ensuring that Top Management and/or Executive Management prioritize the monitoring of the key risks, and the implementation of accompanying internal controls;
- c. Holding management accountable for their risk management duties;
- d. Considering the committee resolutions and facilitate implementation of the resolutions; and
- e. Actively supporting the committee.

## **3. INDEPENDENCE OF THE COMMITTEE**

The RMC will provide an independent and objective oversight and review of information presented by management of the department.

#### **4. MEMBERSHIP**

- 4.1 Members of the Committee shall be formally appointed by the Accounting Officer with counsel from the Chief Risk Officer. The Accounting Officer would appoint the internal members of the committee on a permanent basis.
- 4.2 In the event a member of the Committee resigns from the department and/or Committee, the Accounting Officer would appoint a member to fill the vacancy.
- 4.3 The Accounting Officer may remove members who are under investigation due to malfeasance until they have been cleared of any allegations against them.
- 4.4 The members of the Committee shall:
  - 4.4.1 Possess the blend of skills, expertise and knowledge of the department; and
  - 4.4.2 Be persons familiar with the concepts, principles and practice of risk management, such that they can contribute meaningfully to the effective implementation of risk management.
- 4.5 Membership of the committee shall have a minimum of 5 members and not exceed 19 members; and shall include the following:
  - 4.5.1 An external independent person as the chairperson for the Committee, appointed by the Accounting Officer for a period of three years;
  - 4.5.2 Members of senior management services;
  - 4.5.3 External members, where resources permit;
  - 4.5.4 Chief Risk Officer, as an ex-officio member;
  - 4.5.5 Standing invitees to the Committee might include:
    - a. Chief Audit Executive;
    - b. Provincial Treasury;
    - c. Any other persons who may be co-opted to provide specialist skills, oversight, advice or counsel

#### **5. POWERS/AUTHORITY OF THE RISK MANAGEMENT COMMITTEE**

The following powers are vested in the Committee:

- 5.1 For the purposes of the functioning of the committee, in the event that the members of the committee are of a junior rank than management that they request to appear before it; the departmental rank hierarchy shall be deemed not applicable.
- 5.2 This implies that in the context of the functioning of the committee, the committee members enjoy greater powers, within the prescribed Committee responsibilities, than management although the committee members themselves may be of a lower rank;
- 5.3 The committee has the requisite authority or power to request written reports from management, any official directly or indirectly in the department's employ (including consultants); and

- 5.4 In the event that the Committee is not satisfied with the written submission the official may be requested to appear before it to provide further explanations.

## **6. ROLES AND RESPONSIBILITIES**

### **6.1 RISK MANAGEMENT COMMITTEE CHAIRPERSON**

The Chairperson of the Risk Management Committee has to ensure the effective functioning of the Committee by ensuring:

- a. That the department's risks are managed effectively;
- b. Provide support and supervision to the Chief Risk Officer/Head of Risk Management;
- c. Represent the department in respect of all enterprise risk management related matters as delegated by the Accounting Officer;
- d. Represent the Department at the Risk Management Committee Chairperson's Forum;
- e. Ensure that the department's risk identification and assessment methodologies are reviewed to provide reasonable assurance for completeness and accuracy of the risk register;
- f. Ensure that the risk mitigation strategies employed by the department are evaluated for their effectiveness;
- g. Ensure that there is proper coordination of the functions for all information involved in risk management activities (e.g. reporting and escalation of matters to the Audit Committee);
- h. Assist in developing the most effective measures to prevent fraud by developing a system with administrative and technical features which makes the department less vulnerable to fraud;
- i. Ensure that the Risk Management Committee (RMC) carries out its functions properly;
- j. The Chairperson, in consultation with the Chief Risk Officer, shall be responsible for preparing the agenda items and distribution thereof, prior the meetings;
- k. Submit a Report to the Accounting Officer within 14 days of each meeting regarding the status of risk management implementation, resolutions, recommendations and or matters requiring implementation (either by management, Accounting Officer, or any other person) with clear outcomes.
- l. The Chairperson shall approve and sign the minutes of Committee meetings after review by all members.
- m. Perform any other duties for the members of the Risk Management Committee as specified in the terms of reference;



## **6.2 RISK MANAGEMENT COMMITTEE**

The Committee shall advise on, monitor and oversee the departmental risk management processes, by:

- i. Evaluating the effectiveness of mitigating strategies to address material or key risks of the department and recommend appropriate action to be taken;
- ii. Monitoring the implementation of the risk management / mitigation / response measures;
- iii. Review the Risk Appetite and Risk Tolerance of the department and recommend for approval of the Accounting Officer;
- iv. Review the Department's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
- v. Evaluate the effectiveness of mitigating strategies to address the material risks of the department;
- vi. Review and comment on, the assurance audit reports in respect of risk management systems of the department and monitor that appropriate action/s are implemented to address identified weakness;
- vii. Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activities;
- viii. Evaluate the performance of management in implementing the matters raised by Internal Audit and Auditor-General.
- ix. Ensure that emerging risks, and matters increasing in risk, are appropriately escalated and receive the appropriate attention by management.
- x. Review the quarterly implementation progress reports for completeness and adequacy;
- xi. The Committee shall evaluate the performance of its functions annually in terms of its Charter.

### **6.3 SECRETARIAT**

- a) The office of the Chief Risk Officer shall serve as the Committee's secretariat.
- b) The Chief Risk Officer, in consultation with the Chairperson, shall be responsible for preparing and circulating the Committee meetings' agenda and associated documentation to all Committee members prior to each meeting.
- c) Notice for scheduled Committee meetings, requests to appear before the committee, shall be circulated to members and the relevant stakeholders at least 10 working days prior to the meeting.
- d) Notice for special Committee meetings, requests to appear before the committee, shall be circulated to members and the relevant stakeholders at least 5 working days prior to the meeting.
- e) Documents to be discussed at scheduled meetings shall be distributed at least 5 working days prior the meeting.

### **7. INDUCTION AND CONTINUOUS EDUCATION**

Members of the Committee shall undergo induction to orientate them on their responsibilities. The Chief Risk Officer shall be responsible for developing and implementing an induction and continuous education programme for members of the Committee.

### **8. MEETINGS**

- a) The Committee shall meet at least four times during a financial year.
- b) The meetings should be scheduled in such a manner that they precede the Audit Committee meetings.
- c) Notice should be given to all members of the RMC and other invited parties of each meeting to be held, at least 4 days prior the date of the meeting.
- d) The Chairperson, or any member through the Chairperson, may call additional or special meetings as and when deemed necessary and this should be in writing.
- e) A quorum for Committee meetings shall be 50% plus one.
- f) In a case where a meeting does not constitute a quorum the Chairperson may decide whether that meeting would go ahead or not. If the meeting is not held due to it not having a quorum, it would be postponed to a later date as determined by the members of the Committee present.
- g) Attendance of meetings by all members is compulsory and any absence of a member for whatever reason must be reported by way of a written apology forwarded to the chairperson and the Chief Risk Officer prior the meeting.

**9. REVIEW OF CHARTER**

The Committee shall review the Charter every three years and recommend to the Accounting Officer for approval any amendments that may be required. Any amendments which may be required before the end of the three year term would be decided upon by resolution in a well constituted meeting of the Risk Management Committee. In such cases these amendments would be attached as an addendum to the charter.

**10. RECOMMENDATIONS AND APPROVAL**



**SAMELLA SILI**  
**CHIEF RISK OFFICER**  
**DATE:** 16 May 2023

**Recommended/~~Not Recommended:~~**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



**VUYELWA HLEHLISO**  
**INDEPENDENT CHAIRPERSON – RISK MANAGEMENT COMMITTEE**  
**DATE:** 18 May 2023

**Approved/Not Approved**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



**SIPHOKAZI NDUDANE**  
**HEAD OF DEPARTMENT: DRDAR**  
**DATE:** 29/05/23