Ngwathe
MUNICIPALITY
The home of harmony, prosperity and growth

Risk Management Policy- Draft Reviewed

RISK MANAGEMENT POLICY REVIEW PROCESS – MAY 2013

EXISTING POLICY	**PROPOSED AMENDMENTS**
	Add table of contents
	Add Policy intend
	Add Policy Statement
1. Objects of risk management policy	Policy Objectives
	Add - The -Principles
2. Legislative Context	Unchanged –With added information
3. Definition of risk management	Unchanged –With added information
4. Non – Existence of Risk Management Committee	Add Establishment of Risk Management Committee.
5. Responsibility for risk management	Unchanged – with added information
6. Elements of risk	Delete as responsibilities are clear
7. Risk management Framework	Policy Framework
8. Non – Existence of Fraud Management	Add Fraud Management
9. Accountability for Risk Management	Delete as responsibilities are clear
10. Risk identification and tolerance	Delete – is part of framework
11. Risk measurement	Delete – is part of the framework

EXISTING POLICY	**PROPOSED AMENDMENTS**
12. Reporting	Delete - is part of framework
13. Monitoring/Review	Delete –is part of framework
14. Internal Audit Unit	Delete -is part of responsibilities
15. Non- Existence of Fraud Management	Add –Fraud Management
16. Liabilities and Risks Payable in Foreign Currencies	Unchanged
17. Audit Committee	Unchanged – With added information
18. Non – Existence of Policy Administration	Add –Policy Administration

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1. POLICY INTENT

The aim of this policy is to ensure that the Municipality makes informed decisions with regard to the activities that it undertakes by appropriately considering both risks and opportunities.

2. POLICY STATEMENTS

The Municipality's is committed to the effective risk management and treatment of risk in order to achieve the Municipality's objectives Management of risk is the responsibility of all Executive, Senior Management and employees and Section 62 (1) (c) (i) of the MFMA requires that:
"The accounting officer has and maintains: Effective, efficient and transparent systems of financial and risk management and internal control."

3. POLICY OBJECTIVES

3.1 To explain Municipality's approach to risk management and ensure that it has a consistent and effective approach to risk management;

3.2 To ensure that the Municipality's culture and processes encourage the identification assessment and treatment of risks that may affect its ability to achieve its objectives;

3.3 To explain key aspects of risk management;

3.4 To clearly indicate the risk management reporting procedures;

3.5 To hold executive, management and officials accountable for the implementation of risk management on their area of responsibility;

3.6 To create an environment where all the Municipality's employees take responsibility for managing risk;

3.7 To create a more risk aware organizational culture through enhanced communication and reporting of risk;

3.8 To improve corporate governance and compliance with relevant legislation;

3.9 The implementation of this policy will provide the Municipality's with a basis and a framework for:

- more confident and rigorous decision-making and planning;
- better identification of opportunities and threats;
- pro-active rather re-active management;

- more effective allocation and use of resources;
- improved management and reduction in loss and cost of risk;
- improved stakeholder confidence and trust;
- a clear understanding by all staff of their roles, responsibilities and authorities for managing risk.

4. THE PRINCIPLES

4.1 Risk management is recognised as an integral part of responsibility of management and therefore, Municipality adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Municipality's Risk Management Strategy. It is expected that all Components' operations and processes will be subject to the risk management strategy. It is the intention that these components work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.

4.2 Risk management must be embedded in the strategic planning of the Municipality's.

4.3 As risk management is necessary for planning and decision making. Risk management must be embedded in all the decision making processes. Before decision is taken, the risks it poses must be identified.

4.4 The Municipality risk tolerance level must be determined by top management and is outlined in the Risk Management Strategy.

4.5 All personnel must be willing and able to take calculated risks to achieve their own and the Municipality's objectives and to benefit the Municipality. The associated risks of proposed actions and decisions must be properly identified, evaluated and managed to ensure that exposures are acceptable.

4.6 The Municipality will conduct a risk assessment on an annual basis with a review or re-assessment of the risks conducted on quarterly basis to ensure maximum mitigation thereof.

4.7 Risks will be owned and managed by the Units where the risk resides.

4.8 This policy is subject to an annual review in line with risk management framework.

5. LEGISLATIVE CONTEXT

Section 62 (1) (c) (i) and (ii) of Municipal Finance Management Act stipulates 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 that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control; and of internal audit operating in accordance with any prescribed norms and standards.

On the other hand, section 165 (2) (a) and (b) (iv) requires that the internal audit unit of a municipality or municipal entity must prepare a risk-based audit plan and an internal audit program for each financial year and advise the Accounting Officer and report to the Audit Committee on the implementation of the internal audit plan and matters relating to risk and risk management.

6. DEFINITION OF RISK AND RISK MANAGEMENT

This Policy adopts a broad definition of risk as follows:

It is the chance of an event occurring that will have an impact (threat or opportunity) upon the achievement of the municipality's business objectives.

It is the chance of an event occurring that will have an impact(thread or opportunity) upon the achievement of the municipality's business objectives.

Risk Management
It is a systematic process to identify, evaluate and address risks on continuous basis before such risk can impact negatively on the institution's service delivery capacity.

When properly managed executed risk management provides reasonable, but not absolute assurance, that the institution will be successful in achieving its goal and objectives

Risk is often created by:

- Changes that takes place within the Municipality (i.e. people, systems, processes, technology, legislation and regulations);
- External influences (i.e. economics, availability of human resources and damages);
- Operations and complexity of processes;
- Volume of activities within a Municipality; and
- The nature of the control environment.

7. ESTABLISHMENT OF RISK MANAGEMENT COMMITTEES

The Municipality will establish a risk management committee and be appointed in writing by the Accounting Officer. It is recommended that the Municipality establishes Fraud and Corruption Prevention Committees in line with the fraud and corruption prevention strategy or use the same committee members as Risk Management Committee members. This is because Risk Management includes it but is not limited to minimising fraud, corruption and waste of government resources.

8. RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY\COUNCIL

8.1 Provides oversight and direction to the Accounting Officer on the risk management related strategy and policy

8.2 Influencing hoe strategy and objectives are established, institutional activities are structured, and risks are identified, assessed and acted upon

8.3 Insist on the achievement of objectives, effective performance management and value for money

9. RESPONSIBILITIES & FUNCTIONS OF THE RISK MANAGEMENT COMMITTEE

Refer to Risk Management Committee Charter.

10. RESPONSIBILITIES OF ACCOUNTING OFFICER

The Accounting Officer shall be responsible for the following:

1. Setting the tone at the top by supporting Enterprise Risk Management and allocating resources towards Establishing the necessary structures and reporting lines within the institution to support Enterprise Risk Management.

2. Place the key risks at the forefront of the management agenda and devote attention to overseeing their effective management,

3. Approves the institution's risk appetite and risk tolerance,

4. Hold management accountable for designing, implementing, monitoring and risk management principles into their day-to-day activities,
5. Leverage the Audit Committee, Internal Audit, Risk Management Committee and other appropriate structures for assurance on the effectiveness of risk management,

6. Provide all relevant stakeholders with the necessary assurance that key risks are properly identified, assessed, mitigated and monitored,

7. Provide appropriate leadership and guidance to senior management and structures responsible for various aspects of risk management

11. RESPONSIBILITIES OF MANAGEMENT:

1. Integrating risk management into planning, monitoring and reporting processes, and the daily management of programs and activities
2. Creating a culture where risk management is encouraged, practised, rewarded and risk management infrastructure is provided.
3. Aligns the functional and institutional risk management methodologies and Processes,
4. Implements the directives of the Accounting Officer concerning risk management,
5. Maintains a harmonious working relationship with the Risk and Compliance Manager and supports the Risk and Compliance Manager in matters concerning the functions of risk management,

12. RESPONSIBILITIES OF INTERNAL AUDIT

The role of internal audit is, but not limited, to provide assurance of the Municipality on the risk management process.

These include:

1. Provides assurance over the design and functioning of the control environment, information and communication systems and the monitoring systems around risk management,

2. Provides assurance over the Municipality risk identification and assessment processes,

3. Utilises the results of the risk assessment to develop long term and current year internal audit plans,

4. Provides independent assurance as to whether the risk management strategy, risk management implementation plan and fraud prevention plan have been effectively implemented within the institution.

13. RESPONSIBILITIES OF THE RISK AND COMPLIANCE MANAGER

1. Develop risk management implementation plan of the Municipality,

2. Works with senior management to develop the overall enterprise risk management vision, strategy, policy, as well as risk appetite and tolerance levels for approval by the Accounting Officer,

3. Communicates the risk management policy, strategy and implementation plan to all stakeholders in the institution,

4. Continuously driving the risk management process towards best practice,

5. Developing a common risk assessment methodology that is aligned with the institution's objectives at strategic, tactical and operational levels for approval by the Accounting Officer.

6. Coordinating risk assessments within the Municipality directorates as outlined in the policy,

7. Sensitising management timeously of the need to perform risk assessments for all major changes, capital expenditure, projects, Municipality's restructuring and similar events, and assist to ensure that the attendant processes, particularly reporting, are completed efficiently and timeously.

8. Assisting management in developing and implementing risk responses for each identified material risk,

9. Participating in the development of the combined assurance plan for the institution, together with internal audit and management,

10. Ensuring effective information systems exist to facilitate overall risk management improvement within the institution,

11. Collates and consolidates the results of the various assessments within the institution,

12. Analyse the results of the assessment process to identify trends, within the risk and control profile, and develop the necessary high level control interventions to manage these trends,

13. Compiles the necessary reports to the Risk Management Committee,

14. Providing input into the development and subsequent review of the fraud prevention strategy, business continuity plans occupational health, safety and environmental policies and practices and disaster management plans,

15. Report administratively to Accounting Officer and functionally to Risk Management Committee.

14. ROLE OF THE STRATEGIC EXECUTIVE SUPPORT MANAGER

The adoption of the PFMA of 1999 and the Treasury Guidelines, issued in terms of the Act pushed the need for intelligent decisions on resource allocation down through the administrative chain to the point at which services are delivered. This forced managers at every level to focus on the Government objectives, to manage the risks and become more responsive to the requirements of the recipients of their services.

Within the context of the Risk Management Strategies of the office, Strategic Executive Support Manager will be responsible for:

1. Familiarity with the overall enterprise risk management vision, risk

management strategy, fraud risk management policy and risk management policy,

2. Acting within the tolerance levels set by the directorate,
3. Maintaining the functioning of the control environment, information and communication as well as the monitoring systems within their delegated responsibility,
4. Participation in risk identification and risk assessment strategic risks,
5. Implementation of risk responses to address the identified risks,
6. Reporting any risks to risk and compliance manager on a periodic and timely basis, and taking action to take advantage of, reduce, mitigate and adjusting plans as appropriate.
7. Incorporating risk managing into project management planning process.

15. ROLE OF ALL OFFICIALS

Each official will be responsible for:

1. Identifying and controlling risks appropriate to his/her position.
2. Reporting any risks to his/her immediate supervisor on a timely basis.

16. ROLE OF RISK OFFICERS

1. Ensure that divisions are effectively implementing the Risk Management Strategy,
2. Identify and report fraudulent activities
3. Conduct preliminary inquiry on any alleged incident that is on conflict with the Code of Conduct for the Municipal Staff and consolidate a report for the investigators,
4. Provide support on investigations by facilitating the obtaining of information in any form [electronic, documentary, etc] by investigators, in line with the applicable regulations,
5. Be a point of entry for investigators and risk management officials within their respective units.

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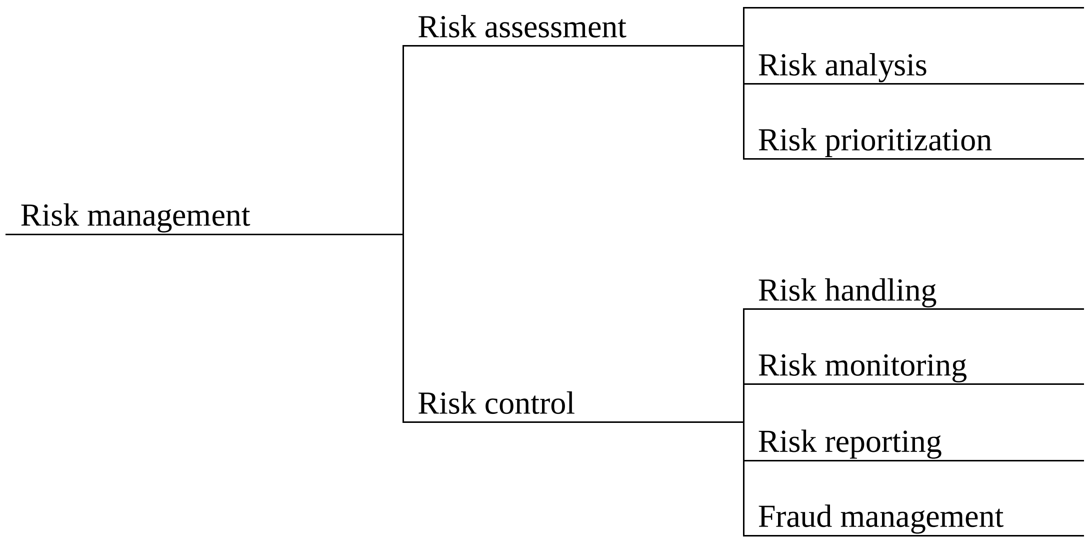
17 POLICY FRAMEWORK

The risk management framework of the Municipality will be depicted as follows:

Risk identification

Risk classification



1. Risk Identification

Using a business process approach, risks are identified in the Municipality. A business process approach involves identifying all the directorates or processes within a Municipality. Risks will be identified on directorate level by having structured interviews and / or workshops with key process staff.

The following definition of a risk will be used by the Municipality:

> **Any event or action that hinders a process's achievement of its directorate (explicit and implicit) objectives.**

A risk has two attributes that must be articulated as following:

- A cause (i.e. any event or action)
- An effect (i.e. impact on achievement of business objectives)

The three constituent elements of risk are:

a. Inherent risk
b. Control risk
c. Detection risk

Every Municipality is subject to its own inherent and control risks and these risks should be catalogued for use in risk assessment.

The Municipality has its own, unique inherent risks associated with its operations and management style. The risks are countered by installing controls. Since there is no way to reduce risk to zero, there will be some risk even after the best controls are installed (control risk). That degree of risk is control risk. A more detailed discussion of inherent risk, control risk and detection risk follows:

a. Inherent risk

Inherent risk is defined as the "risk that is intrinsic (a risk which it is impossible to manage) to Municipality activity and arises from exposure and uncertainty from potential events. It is evaluated by considering the degree of probability and potential size of an adverse impact on strategic objectives and other activities." With the background of the Municipality broad outlook on risk, inherent risk also relates to the intrinsic susceptibility of operational and administrative activities to errors and/or fraud that could lead to the loss of Municipality resources or the non - achievement of Municipality objectives.

The importance of inherent risk evaluation is that it is an indicator of potential high-risk areas of the Municipality operations that would require particular emphasis and it is also an essential part of the combined risk assessment for each process. The identification of all risks pertaining to a process is also the starting point of the risk assessment exercise.

Aspects that bear consideration when assessing the inherent risk are grouped into three categories, namely:

- The operational risk
- The management environment
- The accounting environment

Factors that could influence inherent risk under the three categories are:

b. Operational risk

Some programs / mega processes may have more inherent risk attached to it. Some objectives, outputs and outcomes may have higher priority than others. The objective's outputs and outcomes as well as the program operations may also be subject to variable factors outside the Municipality's control that may make it more difficult to achieve the program objectives. These variables outside the Municipality control increase the overall risk profile of the program / mega process and therefore also the inherent risk.

The management environment
The integrity of management and staff

The potential for internal control override, and deception, is always present. An assessment of management and staff's integrity is difficult. If there were past incidences of fraud or theft within a program or sub process where personnel were involved and these personnel are still working there the possibility of a lack in integrity would be obvious. A wide range of reasons might tempt management to manipulate accounting records or misstate financial information.

c. Control Risk

Control risk is defined as "the risk that an error which could occur and which, individually or when aggregated with other errors, could be material to the achievement of Municipality's objectives, will not be prevented or detected on a timely basis by the internal controls." That is, a risk that the Municipality's controls (processes, procedures, etc) are insufficient to mitigate or detect errors or fraudulent activities.

Control risk arises simply because the accounting system lacks built-in internal controls to prevent inaccurate, incomplete and invalid transaction recording, or due to the intrinsic limitations of internal controls. These limitations are due to factors such as:

- The potential for management to override controls,
- Collusion circumventing the effectiveness of the segregation of duties;

- Human aspects such as misunderstanding of instructions, mistake make in judgment, carelessness, distraction or fatigue.

Control risk also arises when certain risks are simply not mitigated by any control activities.

d. Detection risk
Detection risk is defined as "the risk that management's procedures will fail to detect error which, individually or when aggregated with other errors, could be material to the financial information as a whole." This would also include errors that could be material to the Municipality as a whole.

2. Risk classification
In order to integrate risk management into other management processes, the terminology should be easily understandable by program managers. By developing a common Municipality risk language, program managers can talk with individuals in terms that everybody understands.

An important step in developing a common Municipality risk language is to classify risks identified in various categories.

The **categories** to be used by the Municipality are as follows:

Safety/security	Risks to the property that the government uses to conduct its business (owned, leased or borrowed).
Service Delivery	Risks arising out of the Municipality legal or contractual relationships also arising from the Municipality's dependence on outside suppliers of goods, services, and utilities. Risks arising from the acts or omissions of those outside the government.
Human Resources	Risks arising from competitive compensation, performance-related pay, career planning, working environment, disciplinary and appraisals procedures..
Strategic	Risks arising from the Municipality inadequate research done when planning process unfolds. Risks arising from sustainability of practices as well as organisational performance
Environmental	Risks arising out of natural hazards such as floods, wildfires, earthquakes, hurricanes, thunderstorms, or snowstorms. Risks arising from the general economic condition of the community.
Financial	Risks arising out of the Municipality's financial affairs, including collection of own revenue, expenditure, and all internal and external control procedures
Reputation	Risks arising from inability to deliver quality products, which damage the relationship with community members
Legal Compliance	Risks arising from the implementation of laws and regulations that apply to the government and affect how it conducts its business
Political	Risks arising from social unrest in communities ,as well as non-co-operation of political parties
Health	Risks arising due to inadequate access to health facilities

.3 Risk analysis/assessment

Risk analysis allows the Municipality to consider how potential risks might affect the achievement of objectives. Management assesses events from two perspectives: likelihood and impact. Likelihood represents the possibility that a given event will occur, while impact represents the effect should it occur.

The following tables reflect the rating criteria that will be used by the Municipality

RISK RATING:

Extreme	
Medium	
Low	

RISK MAPPING THAT MUNICIPALITY WILL USE TO PLOT RISKS:

LIKEHOOD	**Almost Certain**					
	Likely					
	Moderate					
	Unlikely					
	Rare					
		Insignificant	**Minor**	**Moderate**	**Major**	**Catastrophic**
		IMPACT				

IMPACT CATEGORIES:

Per risk identified, the impacts are assessed for each of the following categories:

Financial resources	The impact of an event on the Municipality's financial stability and ability to maintain funding for the activities that is critical to its mission.
Material resources	The impact of an event on the material resources—such as assets and property—that a municipality uses in the activities that are critical to its mission.
Human resources	The impact of an event on the Municipality's workforce.
Service delivery	The impact of an event on the Municipality's ability to deliver services.
Public perception of entity	The impact of an event on the public's perception of the Municipality and on the degree of cooperation the public is willing to give in conducting the activities that are critical to its mission.

Liability to third parties	The impact of an event on the Municipality's liability to third parties.
Environment	The impact of an event on the environment and people who use it.
Public	The impact of an event on the public space

IMPACT CRITERIA THAT WILL BE USED BY MUNICIPALITY TO RATE RISKS:

Rating	Impact	Description
5	**Catastrophic**	Loss of ability to sustain on-going operations. A situation that would cause a stand-alone business to cease operation.
4	**Major**	Significant impact on achievement of strategic objectives and targets relating to Municipality's plan.
3	**Moderate**	Disruption of normal operations with a limited effect on achievement of strategic objectives or targets relating to Municipality's plan.
2	**Minor**	No material impact on achievement of the Municipality's strategy or objectives.
1	**Insignificant**	Negligible impact.

LIKELIHOOD CRITERIA THAT WILL BE USED BY MUNICIPALITY TO RATE RISKS:

Rating	Likelihood	Description
5	**Almost certain**	The risk is almost certain to occur more than once within the next 12 months. (Probability = 100% p.a.)
4	**Likely**	The risk is almost certain to occur once within the next 12 months. (Probability = 75 – 100% p.a.)
3	**Moderate**	The risk could occur at least once in the next 2 – 3 years. (Probability = 50 – 75% p.a.)
2	**Unlikely**	The risk could occur at least once in the next 3 - 4 years. (Probability = 35 – 50% p.a.)
1	**Rare**	The risk will probably not occur, i.e. less than once in 5 years. (Probability = 0 – 35% p.a.)

INHERENT RISK EXPOSURE (Impact X Likelihood) AND REFER TO RISK MAPPING ABOVE:

Risk rating	Inherent risk magnitude	Response
15 – 25	High	Unacceptable level of risk – High level of control intervention required to achieve an acceptable level of residual risk
8 – 14	Medium	Unacceptable level of risk, except under unique circumstances or conditions – Moderate level of control intervention required to achieve an acceptable level of residual risk

1 – 7	Low	Mostly acceptable – Low level of control intervention required, if any.

RESIDUAL RISK EXPOSURE (Impact X Likelihood) AND REFER TO RISK MAPPING ABOVE:

Risk rating	Residual risk magnitude	Response
15 – 25	High	Unacceptable level of residual risk – Implies that the controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). Controls require substantial redesign, or a greater emphasis on proper implementation.
8 – 14	Medium	Unacceptable level of residual risk – Implies that the controls are either inadequate (poor design) or ineffective (poor implementation). Controls require some redesign, or a more emphasis on proper implementation.
1 – 7	Low	Mostly acceptable level of residual risk – Requires minimal control improvements.

The qualitative criteria that will be used by Municipality to assess likelihood are:

a) Geographical dispersion of operations;

b) Complexity of activities – management judgments;

c) Pressure to meet objectives;

d) Frequency of losses;

e) Competency, adequacy and integrity of personnel;

f) Degree of computerized systems;

g) Vague objectives/mandates;

h) Time constraints;

i) Potential of conflict of interest; and

j) Susceptibility of the asset to misappropriation.

4. **Risk prioritization**

Within the risk management framework, risk prioritization provides the link between risk assessment and risk control. Risks assessed as key risks will be introduced and managed within the control major-process.

Depending on the results of the risk analysis performed, risks will be prioritised for the Municipality and per directorate.

The prioritized risks will inform both the scope of internal audit and the risk management committee. Both these support structures will primarily focus on the risks assessed as high, medium and low successively.

5. Risk handling

The Municipality will use the following four strategies or risk response in dealing with risks:

a. **Avoidance**:

Risk avoidance involves eliminating the risk-producing activity entirely (or never beginning it). Although avoidance is highly effective, it is often impractical or undesirable, either because the Municipality is legally required to engage in the activity or because the activity is so beneficial to the community that it cannot be discontinued.

b. **Reduction**:

Risk reduction strategies reduce the frequency or severity of the losses resulting from a risk, usually by changing operations in order to reduce the likelihood of a loss, reduce the resulting damages, or both. An example of a risk reduction strategy is the preparation, before a loss occurs, of contingency plans to expedite recovery from the loss.

c. **Control**:

The Municipality will implement corrective action to manage risks identified while still performing the activity from the Municipality e.g. after a loss has occurred, risk control strategies keep the resulting damages to a minimum.

d. **Transfer**:

Risk transfer strategies turn over the responsibility of performing a risky activity to another party, such as an independent contractor, and assign responsibility for any losses to that contractor. (When used as a risk financing method, such strategies transfer the liability for losses to another party),

The Municipality or directorate is responsible for choosing a suitable strategy for dealing with a key risk. The implementation and eventual operation of this strategy is the responsibility of program managers and must be within above risk response strategies.

6. Risk monitoring

The risk management committee must monitor the handling of key risks by program managers as in line with the charter. Key performance indicators must therefore be developed by the committee to facilitate the monitoring of each key risk.

Management's performance with the process of ERM will be measured and monitored through the following performance management activities:

1. Monitoring of progress made by management with the implementation of the ERM methodology.
2. Monitoring of key risk indicators
3. Monitoring of loss and incident data
4. Management's progress made with risk mitigation action plans
5. An annual quality assurance of ERM performance

7. Risk reporting

The risk management committee will report to the Accounting Officer as depicted in the risk management policy.

18. FRAUD MANAGEMENT

The Risk and Compliance Manager will develop fraud prevention plan and be reviewed by risk management committee annually.

The Accounting Officer will approve the fraud prevention plan of the Municipality.

This fraud prevention plan will also cover the following:

- Executive Summary by Accounting Officer;
- Objective of the fraud prevention plan;
- Definition of fraud that the Municipality subscribes to;
- Fraud prevention and detection measures;
- Fraud implementation plan;
- Fraud indicators and warning signs;
- Fraud risk management;
- Fraud reporting and
- Fraud response plan.
- Fraud Hotline.(Local)

The plan should be submitted for review approval to the risk management committee and approval by the Accounting Officer.

19 . LIABILITIES AND RISKS PAYABLE IN FOREING CURRENCIES

The Municipal Management Finance Act No 56 of 2003 determines that no municipality or municipal entity may incur a liability or risk payable in a foreign currency. This however does not apply to debt regulated in Section 47 of the Municipal Management Finance Act or to the procurement of goods or services denominated in a foreign currency, but the Rand value of which is determined at the time of the procurement, or where this is not possible and risk is low, at the time of payment.

20. AUDIT COMMITTEE

The Audit Committee is responsible for providing the Accounting Authority with independent counsel, advice and direction in respect of risk management. The stakeholders rely on the Audit Committee for an independent and objective view of the institution's risks and effectiveness of the risk management processes.

In this way, the Audit Committee provides valuable assurance that stakeholder interest are provided

An audit committee shall be an independent advisory responsible for the following:

a) Advising the Council, Municipal Manager and Management staff on the following matters:

- Internal audit;
- Internal financial controls;
- Accounting policies;
- Risk management;
- Adequacy, reliability and accuracy of financial reporting and information;
- Performance management;
- Effective governance;
- Compliance with the Municipal Finance Management Act No 56 of 2003;
- Compliance with the Division of Revenue Act; and any other applicable legislation.
- Performance evaluation;
- Any other issues referred to it by the municipality.

b) Review the annual financial statements;
c) Respond to the Council on any issues raised by the Auditor General;
d) Carry out any investigations into the financial affairs of the municipality as the Council may request.

The audit committee may have access to the financial records and any other relevant information of the municipality.

The audit committee must liaise with the internal audit unit and the person designated to audit the financial statements of the municipality.

The audit committee must consist of at least three persons with appropriate experience, the majority of whom may not be in the employ of the municipality.

The audit committee must meet at least four times a year.

The council must appoint the members of the audit committee. One of the members who is not in the employ of the municipality must be appointed as the chairperson of the committee.

No councilor may be a member of the audit committee.

21 . POLICY ADMINISTRATION

The effectiveness of the policy will be reviewed annually. The amendments will be sent to the Risk Management Committee for recommendation and to Accounting Authority/Officer for Approval