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EDUCATION LABOUR
RELATIONS COUNCIL



OPERATIONAL RISK MANAGEMENT CHARTER



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1. INTRODUCTION

- 1.1 The management of operational risk is a key feature of sound risk management practice. While the management of operational risk is the primary responsibility of each section or department, the implementation of an integrated operational risk management framework shall be coordinated by the dedicated internal audit section to achieve operational excellence in the organisation (ELRC).

2. DEFINITIONS

- 2.1 The definitions establish a common language for describing, understanding, reporting and classifying operational risks. The core definitions are explained as follows in this section:
- 2.1 **Operational Risk** – the risk of loss or reputational damage resulting from inadequate or failed internal processes, people and/or systems. This definition will also include Legal Risk, Compliance Risk and Reputational Risk as understood by the ELRC.
 - 2.2 **Legal Risk** arises from a potential unenforceable, lawsuit or adverse judgement that can disrupt or negatively affect the operations of the ELRC as an organisation.
 - 2.3 **Compliance Risk** is the risk of legal or regulatory sanctions, material financial loss or damage to reputation, the organisation may suffer as a result of its failure to comply with laws, regulations, rules and codes of conduct applicable to its activities /functions.
 - 2.4 **Reputational Risk** is the risk resulting from adverse perceptions, whether true or not, of the image of the organisation on the part of the ELRC stakeholders and the public.
 - 2.5 **Operational Risk Management** includes mechanisms, tools, policies, procedures, processes and management oversight to identify, assess, monitor, report and control operational risks.
 - 2.6 **Operational Risk Event** is the failure of internal processes, people or systems in the organisation and this may result in direct or indirect financial loss and lead to an adverse effect on the ELRC's image and reputation. Examples of Operational Risk Events include but are not limited to the following:
 - 2.6.1 Internal Fraud
 - 2.6.2 External Fraud
 - 2.6.3 Workplace safety
 - 2.6.4 Business Disruption
 - 2.6.5 Systems Failure

3. PURPOSE AND SCOPE

- 3.1 The Charter systematises the ELRC's approach to identifying, measuring, managing, reporting and controlling operational risks. It documents sound practises to help ensure that operational risks are managed and measured in an effective and consistent way across the ELRC and describes the key elements of the ELRC Operational Risk Management Framework, including roles and responsibilities. The Charter should also be able to set the basis of ELRC's operational risk culture.
- 3.2 The Operational Risk Management Charter applies to all Education Labour Relations Council staff, services and functions. The Operational Risk Committee (the Committee) is a committee established by the Executive Committee of the ELRC to assist the EXCO to fulfil its corporate governance and oversight responsibilities by reviewing and reporting to the EXCO on the following matters:
- 3.2.1 Business, operational and financial risks; and
 - 3.2.2 Compliance with applicable requirements.

4. DUTIES AND RESPONSIBILITIES

- 4.1 The Committee will consider the matters as outlined in the purpose and scope paragraph, make recommendations to the EXCO for approval where appropriate and shall provide reasonable information to the EXCO to enable it to make informed decisions.

To achieve its responsibilities the Committee will:

- 4.1.1 Review the risk and compliance systems established by management;
- 4.1.2 Review the effectiveness of controls put in place to mitigate risk and ensure compliance;
- 4.1.3 Review strategies, policies and plans in relation to the Committee's objectives; for matters referred to the EXCO, where appropriate, make recommendations to the EXCO about the strategies, policies and plans; and for other matters, where appropriate, recommend the strategies, policies and plans;
- 4.1.4 Review the business continuity, cyber risk, disaster and emergency management plans;

- 4.1.5 Report to the Exco on its work, express an opinion on the performance in the areas covered by this Charter and make recommendations to the Exco as appropriate;
- 4.1.6 Review the effectiveness of the system for monitoring compliance with laws and regulations with particular emphasis on key risk areas;
- 4.1.7 Review quarterly reports on compliance matters from officers as appropriate to assess whether steps to ensure compliance are in place and operating effectively or being developed to address key compliance risk areas;
- 4.1.8 Systems exist to enable compliance problems or issues to be readily identified and compliance related systems and procedures are being adequately detailed and documented and if serious weaknesses or breakdowns in compliance processes have occurred they have been appropriately dealt with;
- 4.1.9 Assess whether compliance programs and initiatives are fulfilling their purpose or require any modification, and prescribe remedial action where necessary; and
- 4.1.10 Review the findings of any internal and external audit.

5. GOVERNANCE

- 5.1 The Committee will:
 - 5.1.1 Conduct regular reviews of risk management policies and recommend changes to the EXCO for approval;
 - 5.1.2 Review the adequacy of policies to effectively manage risks;
 - 5.1.3 Review the approach to risk and ensure that these are consistent with company policy;
 - 5.1.4 Review risk profiles, appetite and tolerance levels and mitigation steps, resulting residual risks and level of protection;
 - 5.1.5 Review any significant business operational risks, including those identified by internal or external auditors, and the steps taken by management to address such risks;
 - 5.1.6 Review the format, content and detail of risk reporting;
 - 5.1.7 Review quarterly reports received from officers;
 - 5.1.8 Review reports prepared by Internal and External Audit functions in relation to reviews of operational risk areas.

6. MEMBERSHIP AND MEETINGS

- 6.1 The Committee will comprise of five Senior Managers, including the Internal Auditor.
- 6.2 There is no prescribed term for membership. Members are appointed or removed by a resolution of the EXCO. Membership shall cease upon a member ceasing to be an employee of the ELRC.
- 6.3 A quorum will be a minimum of three members (including the Internal Auditor) entitled to attend meetings.
- 6.4 The Committee will choose a secretary who shall be responsible for developing an annual agenda and drawing up and circulating meeting agendas to Committee members within a reasonable period in advance of each meeting.
- 6.5 The Secretary will also be responsible for recording and keeping the minutes of the meeting and circulating them to Committee members.
- 6.6 Meetings shall be held not less than four times a year.
- 6.7 Special meetings may be convened as required. Any member may require a meeting to be convened. The proceedings of all meetings will be minuted.
- 6.8 All managers shall have standing invitations to attend all Committee meetings. The Committee may at its absolute discretion, decide to exclude some or all non-committee members from such a meeting.

7. REPORTING

- 7.1 The Committee shall regularly update the EXCO about Committee activities and make appropriate recommendations. The Committee shall ensure that the EXCO are aware of matters which may significantly impact the risk profile of the Council.
- 7.2 Submit a summary of activities for inclusion in the Annual Report of the Council and submit an annual written report to the EXCO containing details of the achievement of all matters relevant to the Committee's role and responsibilities.

8. CHARTER ADMINISTRATION

- 8.1 This Charter was approved by the ELRC Executive Committee. The Charter is developed and maintained by the Senior Management and the Internal Auditor. The Charter is distributed to the ELRC's Independent Audit Committee and is available to all staff members on the intranet.