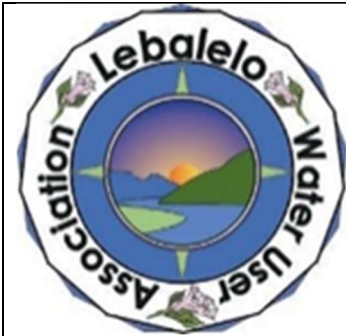


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Lebalelo Water User Association

POLICY GOVERNANCE DEALING WITH Finance Committee Charter

VERSION: 003

IMPLEMENTATION DATE: March 2019
LAST REVISION DATE: March 2020
REFERENCE NUMBER: LWUA-BM-GOV-POL

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1. AIM

The Finance Committee (FINCOM) is constituted as a sub-committee of the Management Committee (MANCOM) of the Association. The Committee will exercise its authority under delegation (Section 9.3 and 9.4 of the Members’ Agreement) from and is accountable to the MANCOM for its performance.

The purpose of the FINCOM Charter is to set out the role, associated responsibilities, functions, delegation of authority with respect to decision-making as well as the requirements for its composition, meeting procedures, reporting, disclosure requirements and arrangements for evaluating performance of the Committee.

The Association’s purpose is to “positively impact lives through water” and its vision is to “be a strategic water management partner in the region the Association operates.”
The Association’s 2030 ambition is to set a journey towards three horizons;
Horizon 1 to stabilise the Association’s operations and the social licence to operate through 5 strategic levers;
Horizon 2 to facilitate the building of a trusted platform for socio economic development in the region through the expansion of the Association’s water management role, aligning members and others around common social economic development initiatives and infrastructure to create social harmony; and
Horizon 3 to help catalyse the creation of game changing businesses to drive exponential socio-economic impact in the region.

2. SCOPE OF THE FINANCE COMMITTEE

The Committee was established to assist the MANCOM with the oversight of finance, audit, compliance, risk governance, combined assurance, IT governance and remuneration matters of the Association.

The Committee’s primary role is to monitor, support, advise and provide guidance on the effectiveness of management’s efforts in respect of the following:

- Financial reporting and internal financial control;
- External and internal audit processes;
- The achievement of operational and liquidity objectives of the Association;
- Effective risk management, compliance and combined assurance processes;
- Sufficient information technology investment;
- Remuneration and ensuring a motivated workforce;
- Effectively managing commercial and other stakeholder relations;
- Compliance with legislation and governance requirements; and
- Accurate and timely integrated reporting.

The Committee has an independent role with accountability to both the MANCOM and Members. The existence and responsibilities of the Committee do not reduce the responsibilities of the MANCOM members in regard to their statutory and fiduciary duties and responsibilities, and any responsibilities they may have in terms of legislative requirements, and they will continue to exercise due care and judgement in accordance with their statutory obligations. The Committee will not assume the functions of management, which remain the responsibility of the CEO, CFO and other members of senior management.

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3. DEFINITIONS

TERM	DEFINITION
Charter	Finance Committee Charter
Executive Member	Members of the Executive Management team responsible for the day-to-day operations of the Association and forms part of the Finance Committee of the Association.
Member	Member of the Association
member	Member of the Management Committee or Finance Committee
Non-Executive Member	Appointed member of the Finance Committee, which does not form part of the Executive Management team and are therefore, not involved in the day-to-day management of the Association.
The Committee	The Finance Committee of the Association

4. ABBREVIATIONS

All abbreviations used in the document which are generally used in daily communications and need no explanation, are unnecessary. Abbreviations of an unfamiliar nature are explained in this paragraph in alphabetical order. Within the contents of this policy / procedure, reference is often made to phrases and/or terms that are unique to this policy / procedure. The meaning of the phrases and/or terms shall be as follows:

ABBREVIATION	EXPLANATION
Association	Lebalelo Water User Association established in terms of Section 92(1) of the National Water Act, 1998 (Act No 36 of 1998) Government Gazette No. 89123053
CEO	Chief Executive Officer
CFO	Chief Financial Officer
FINCOM	Finance Committee of the Association
MANCOM	Management Committee of the Association

5. RESPONSIBLE FOR REVIEW

The CFO and Manager Administration are responsible to review this procedure on an annual basis, or as and when changes are required.

6. RESPONSIBLE FOR IMPLEMENTATION

The persons responsible for the implementation of this policy / procedure are:

- The CFO and Manager Administration are responsible for implementation.
- Any Association employee or contractor that is requested to assist with the policy / procedure.
- The CFO and Manager Administration to make all relevant people mentioned in this procedure aware of their roles and responsibilities.

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7. GENERAL			
7.1 Contravention			
Breach of this policy / procedure by any employee may lead to disciplinary action.			
7.2 Distribution			
HARD COPY #	DISTRIBUTED TO	MASTER REFERENCE	ELECTRONIC REFERENCE
1	GRC	Central Policies & Procedures Library	Lebalelo Management SharePoint
2	Management Committee		

8 COMPOSITION OF THE FINANCE COMMITTEE
<p>The Committee will consist of both Executive Members and Non-Executive Members, however, due to the nature and business of the Association, no Independent, Non-Executive Members will be included in the Committee at this point in time.</p> <p>The Committee shall consist of five (5) members duly appointed by the MANCOM. The five (5) members of the Committee shall consist of the following:</p> <ul style="list-style-type: none"> • One (1) non-executive member from the MANCOM as the chair of the Committee. • One (1) Member from the Association. • One (1) official from the Association's Members, being appointed based on his/her skills and expertise relating to finance, audit, risk governance, IT governance and remuneration. • The CEO as a co-opted member. • The CFO as a co-opted member. <p>An invitation to attend the Committee meetings will be extended to the Chairperson of the MANCOM, Operations Manager and Legal Manager.</p> <p>The Administrations Manager or his/ her nominee shall act as secretary of the Committee.</p> <p>The composition of the Committee will be annually reviewed and approved by the MANCOM.</p>

9. EXPERTISE, SKILLS AND KNOWLEDGE OF COMMITTEE MEMBERS
<p>The Committee shall also comprise of a balance of expertise, skills and knowledge relevant to the Association's requirements (Section 13.13 of the Constitution of the Association and King IV™ Part 5.3, Principle 8) and the scope of the Committee (as outlined in section 2 of this Charter) and capacity to enable this Committee to fulfil its duties (King IV™ Part 5.3, Principle 8).</p> <p>The members will be required to keep abreast of all developments relating to the purpose and scope of the Committee. New members will be provided with induction and a complete orientation pack that will allow them to effectively perform their duties.</p>

10 FINANCE COMMITTEE MEETINGS
10.1 Frequency
The Committee should meet at least four (4) times per year (Section 13.11.1 of the Constitution of the Association). The Committee may also convene additional meetings as circumstances may require,

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requested by the Committee Chairperson or any other member or at the insistence of the MANCOM. The dates of such meetings to be communicated in writing by the Secretary of the Committee. The Chairman of the Committee may also meet with the CEO, the CFO and/or the Committee Secretary as necessary.

10.2 Agenda, Meeting Papers and Notes for Record

The Committee will establish an annual work plan, incorporating all the Committee's responsibilities set out in this Charter and will ensure that all aspects of the work plan are covered by the agendas of the scheduled meetings. The annual work plan must ensure proper coverage of the matters laid out in the FINCOM Charter. The more critical matters will need to be attended to during each meeting while other matters may be dealt with on a rotation basis. The timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

The Secretary should prepare an agenda for each Committee meeting and this, together with submissions, reports and presentation material, will be circulated to the members of the FINCOM and other invitees no less than three (3) working days prior to the meeting unless otherwise agreed with the Chairperson.

Notes for Record of the Committee meetings will be prepared by the Secretary and circulated to the Chairman for review thereof. The Notes for Record will be approved by the Committee at its next scheduled meeting. The Notes for Record of the Committee meetings shall be submitted to the MANCOM, along with appropriate submissions to provide the Chairperson an opportunity to report on any matter of importance or to request approval of resolutions.

10.3 Attendance

Members of the Committee will attend all scheduled meetings, including meetings called on an ad-hoc basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson and Secretary of the Committee. Members of senior management, assurance providers and professional advisors may also be in attendance at meetings, but by invitation only and will have not decision-making authority.

Members of the Committee may attend meetings using available telephone or video conference facilities (electronic communication). Such participation shall constitute presence of the Committee member at the meeting (Companies Act Section 73 (3)). A record must be kept of the attendance of Committee members and invitees at the meetings.

10.4 Quorum

The Chairperson of the Committee as well as two (2) other Committee members must be present at the Committee meeting in order to form a representative quorum. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for meetings.

10.5 Resolutions

The Committee will not have the authority to approve written resolutions but can recommend resolutions for approval by the majority of the members of the MANCOM (Section 13.9 and Section 13.10 of the Constitution of the Association).

11 RESPONSIBILITY AND POWER OF THE FINANCE COMMITTEE

The Committee shall consider matters relating to the finance, audit, compliance, risk governance, IT governance and remuneration functions of the Association. The Committee's responsibilities will be specifically linked to the agreed value drivers, as set out below:

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KEY ASSOCIATION VALUE DRIVERS	RESPONSIBLE COMMITTEE
Achieve Association Strategy	MANCOM
Safe operating conditions	SECOM
Healthy workforce	
Environmentally responsible operations	
Social mandate to operate	
Sound brand, reputation and ethics	
Effective social stakeholder relations	
Motivated workforce	FINCOM
Achieve operational and liquidity objectives	
Effective commercial and other stakeholder relations	
Comply with legislation and governance requirements	
Accurate and timely reporting	
11.1 Internal Financial Controls and Financial Reporting	
<p>The responsibilities of the Committee towards internal financial controls and financial reporting includes the following:</p> <ul style="list-style-type: none"> • The Committee will review the effectiveness of the Association’s systems of internal financial controls around the reliability and accuracy of the financial information through reports provided by, inter alia, external audit, management and other external service providers. • The Committee will continuously monitor the implementation by management of internal control recommendations made by external auditors and other service providers, such as internal audit. • Evaluate and confirm the reliability and transparency of the financial reporting processes and the maintenance of proper and accurate accounting records of the Association. • Understand how management develops interim financial information, and the nature and extent of external auditor involvement. • Examine and review the draft interim and annual financial results prior to the submission to and approval by the MANCOM (King IV™ Part 5.2, Principle 5, & King IV™ Part 5.1, Principle 8). • Review significant accounting and reporting issues, including complex or unusual transactions and judgements on accounting and reporting matters. • Review the Association’s financial results with management and the external auditors and consider whether they are complete, consistent with information known to Committee members and reflect appropriate accounting principles. • Consider the impact of any financial, fraud, IT and other risks on the integrity of the financial results of the Association. • Continuously monitor the solvency and liquidity of the Association (King IV™ Part 5.1, Principle 4). • Evaluate the effectiveness of the Association’s CFO and finance function (King IV™ Part 5.1, Principle 8). 	
11.2 External Audit	
The responsibilities of the Committee towards external audit are to:	

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- Nominate, with approval of the MANCOM, to the Annual General Meeting the appointment of the External Auditors (Section 94 (7) (a) & (c) of the Companies Act, 2008).
- Recommend the approval of the terms of engagement and remuneration for the external audit function.
- Evaluate the quality, effectiveness and performance of the Association’s external auditors and external audit process (King IV™ Part 5.1, Principle 8).
- Monitor and report on the independence of the external auditor in the annual financial statements.
- Identify key matters arising in the current year’s management letter and satisfy itself that they are being properly followed-up.
- Allow External Auditors to have unrestricted access to the Chairman or members of the Committee when necessary.
- “Meet annually with the external auditors, without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum”. (King IV™ Part 5.1, Principle 8).

11.3 Risk Assurance/ Internal Audit

Although the Association does not have an established internal audit function, the Committee may commission external service providers to assist with risk assurance or consulting services, when necessary.

Should an external service provider be consulted in a risk assurance capacity, the responsibilities of the Committee will include:

- Recommend the approval of the terms of engagement and remuneration of the risk assurance service provider.
- Review the reports prepared by the risk assurance service provider, including consideration of significant matters raised and the management responses provided.
- Allow the service providers to have unrestricted access to the Chairman or members of the Committee, in the event that internal audit services are procured.
- Evaluate the quality and effectiveness and performance internal audit or other service providers.
- “Meet annually with risk assurance/ internal audit service providers, without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum”. (King IV™ Part 5.1, Principle 8).

11.4 Governance, Risk Management and Compliance

The responsibilities of the Committee towards governance, risk management and compliance are to:

- Perform a regular review of the adequacy and effectiveness of the Association’s governance, risk management and compliance strategy and frameworks to ensure alignment to the key objectives of the Association (King IV™ Part 5.4, Principle 1 & Part 5.4, Principle 13).
- Evaluate and agree the nature and extent of the risks that the Association is willing to take in pursuit of its strategic objectives. The committee will approve (King IV™ Part 5.4, Principle 11):
 - The risk appetite (King IV™ Part 5.4, Principle 11) and
 - The limit of the potential loss that the Association has the capacity to tolerate (King IV™ Part 5.4, Principle 11).
- Ensure that the risk appetite and risk tolerance are adequately defined and regularly reviewed.
- Ensure that appropriate risk metrics are developed and applied to monitor compliance with the risk appetite and tolerance limits established for the Association.
- Ensure that it results in:
 - An assessment of risks and opportunities emanating from the triple context in which the Association operates and the capital that the Association uses and affects;

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- An assessment of the potential upside, or opportunity, presented by risks with potentially negative effects on achieving organisational objectives;
- An assessment of the Association’s dependency on resources and relationships as represented by the various forms of capital;
- The design and implementation of appropriate risk responses;
- The establishment and implementation of business continuity arrangements that allow the Association to operate under conditions of volatility and to withstand and recover from acute shocks; and
- The integration and embedding of risk management in the business activities and culture of the Association”. (King IV™ Part 5.4, Principle 11).
- Ensure that risk assessments are performed on a continuous basis.
- Monitor the key risks and actions taken to mitigate these risks for each of the value drivers indicated as the responsibility of the Committee.
- Disclose in a report to the MANCOM, for inclusion in the Integrated Report, the following in relation to risk:
 - An overview of the arrangements for governing and managing risk;
 - Key areas of focus during the reporting period, including objectives, the key risks that the organisation faces, as well as undue, unexpected or unusual risks and risks taken outside of risk tolerance levels;
 - Actions taken to monitor the effectiveness of risk management and how the outcomes were addressed; and
 - Planned areas of future focus. (King IV™ Part 5.4, Principle 11).
- Ensure that appropriate frameworks and methodologies are implemented to identify and maintain the Regulatory Universe of the Association.
- Monitor compliance with all relevant laws, regulations and codes of best business practice and should receive regular updates on changes in the regulatory environment. (King IV™ Part 5.4, Principle 13).
- “Consider the need to receive period independent assurance on the effectiveness of compliance management”. (King IV™ Part 5.4, Principle 13).
- Provide, on an annual basis, an overall statement relating to the effectiveness of the Association’s governance, risk management and control processes. (King IV™ Part 5.4, Principle 15).

11.5 Combined Assurance

The Committee, as delegated by the MANCOM, is responsible for overseeing the arrangements relating to assurance services and functions and ensuring that these are effective in achieving the following objectives:

- “Enabling an effective internal control environment;
- Supporting the integrity of information used for internal decision-making by management, the MANCOM and its committees; and
- Supporting the integrity of external reports”. (King IV™ Part 5.4, Principle 15).

The Committee will ensure that a combined assurance model, which optimises the various assurance services and functions, is designed and implemented to cover the Association’s significant risks and material matters through a combination of the following assurance service providers and functions:

- “The Association’s line functions that own and manage risks;
- The Association’s specialist functions that facilitate and oversee risk management and compliance;
- Internal auditors, internal forensic fraud examiners and auditors, safety and process assessors and statutory actuaries;
- External auditors;

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- Other external assurance providers such as sustainability and environmental auditors, external actuaries and external forensic fraud examiners and auditors; and
- Regulatory inspectors.” (King IV™ Part 5.4, Principle 15).
- The Committee will “assess the output of the Association’s combined assurance with objectivity and professional scepticism and by applying an enquiring mind, form their own opinion on the integrity of information and reports and the degree to which an effective control environment has been achieved” (King IV™ Part 5.4, Principle 15).

11.6 Information Technology

The responsibility to implement and execute effective technology and information management has been delegated by the MANCOM to the Management of the Association. (King IV™ Part 5.4).

The Committee has an ongoing oversight responsibility towards information technology which include the following:

- “Integration of people, technologies, information and processes across the organization;
- Integration of technology and information risks into organization-wide risk management;
- Arrangements to provide for business resilience;
- Proactive monitoring of intelligence to identify and respond to incidents, including cyber-attacks and adverse social media events;
- Management of the performance of, and the risks pertaining to, third-party and outsourced service providers;
- The assessment of value delivered to the organization through significant investments in technology and information, including the evaluation of projects throughout their life cycles and of significant operational expenditure;
- The responsible disposal of obsolete technology and information in a way that has regard to environmental impact and information security;
- Ethical and responsible use of technology and information; and
- Compliance with relevant laws.” (King IV™ Part 5.4).
- The Committee should also “consider the need to receive periodic independent assurance on the effectiveness of compliance management”. (King IV™ Part 5.4, Principle 12).

11.7 Remuneration

The responsibilities of the Committee towards remuneration within the Association are to:

- Approve a remuneration policy which articulates the direction of the Association pertaining to “fair, responsible and transparent remuneration”. The Committee should ensure that the requirements for the Remuneration Policy, as outlined in Principle 14 of the King IV™ report are addressed. (King IV™ Part 5.4, Principle 14).
- Recommend the approval of remuneration packages needed to attract, retain and motivate senior management.
- Ensure that remuneration levels are comparable and relative to other water institutions and appropriate with levels within Governmental Departments.
- Be sensitive to the wider environment, including pay and employment conditions elsewhere in the Association.
- The Committee will review the terms and conditions of the CEO and Senior Managements' service agreements from time to time, taking into account information from comparable institutions where relevant.
- Recommend the approval of the criteria appropriate to measure the performance of the CEO and Senior Management in discharging their functions and responsibilities and review individual

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performance against set management and performance criteria and approved guaranteed and performance-based individual remuneration based on set principles.

11.8 Integrated Reporting

The responsibilities of the Committee towards the Association's Integrated Report are to:

- Maintain oversight of integrated reporting and have regard to all factors and risks that may impact on the integrity of the integrated report.
- Review the draft integrated report for accuracy and completeness of information considering information known to the Committee members and prior to recommending the integrated report to the MANCOM for approval.
- Review the disclosure of sustainability matters to be included in the integrated report to the extent that it has an impact on the financial results and ensure that it does not conflict with the information contained in the financial statements.

The Committee will liaise closely with the Social and Ethics Committee to exchange information relevant to sustainability issues that may impact the financial results of the Association.

12 AUTHORITY

The Committee is authorised by the MANCOM to:

- Investigate any activities within the provision of its Charter;
- Seek outside legal or other independent professional advice at the Association's expense in accordance with a procedure developed by the MANCOM for this purpose;
- Secure the attendance of outsiders with the relevant experience and expertise where necessary at the Association's expense in accordance with a procedure developed by the MANCOM;
- Seek any information it requires from any employee, to enable the Committee to carry out its responsibility and duties in accordance with the Charter and all employees are required to cooperate with any reasonable requests made by the Committee; and
- Delegate duties to management or the Operations Committee of the Association.

13 REPORTING REQUIREMENTS

The Committee shall prepare and submit formal reports on its activities to the MANCOM with such recommendations as the Committee may deem appropriate.

It shall prepare a statement for inclusion in the annual report that describes the Committee's composition, number of meetings held, attendance at these meetings, the key responsibilities (including its mandate), how these responsibilities were discharged, key areas of focus, actions taken to monitor effectiveness of the scope of this committee and future areas of focus. (King IV™ Part 5.3, Principle 8, Principle 11, Principle 12, & Principle 13).

Any disclosure of the nature and extent of the risks and opportunities the Association is willing to take should be disclosed without compromising sensitive information. (King IV™ Part 5.4, Principle 11).

A remuneration report, for the inclusion in the Integrated report and approval by the MANCOM, should be reviewed by the Committee to ensure that it includes, at minimum, "a background statement; an overview of the main provisions of the remuneration policy; and an implementation report which contains the details of all remuneration awarded to individual members of the MANCOM and Executive Management during the reporting period". (King IV™ Part 5.4, Principle 14).

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The Chairperson of the Committee, or in his absence, any member of the Committee shall be in attendance at the Annual General Meetings of Members of the Association and respond to any questions relating to the work of the Committee.

14 REMUNERATION FOR FINANCE COMMITTEE MEMBERS

Members of the Committee will not receive any remuneration for attending ordinary Committee meetings. Incidental costs relating to accommodation and travel may be reimbursed at cost and the allowable expenses and thresholds will be subject to the Association's Human Resources Policy. Should an Independent, Non-Executive Member be appointed to the Committee, then the remuneration will be defined and approved by the MANCOM.

15 CONFLICT OF INTEREST AND COMPETITIONS ACT DISCLOSURE

A FINCO member must not participate in any discussion upon nor vote on any matter in which he has an interest, for example, business interests.

At the beginning of each meeting of the Committee all members should be required to declare whether any of them has any conflict of interest in respect of a matter on the agenda. Any such conflicts should be proactively managed as determined by the MANCOM and subject to legal provisions. (King IV™ Part 5.3, Principle 7). At the beginning of each meeting of the Committee all members should note the Competition Act (No 89 of 1998) disclosure provision.

A register of conflict of interest and Competition Act disclosures must be maintained by the Administrations Manager.

16 PERFORMANCE EVALUATION

The MANCO shall be responsible for undertaking regular evaluation of the effectiveness and performance of the Committee.

17 APPROVAL OF CHARTER

The Association's Finance Committee Charter is established in accordance with the guidance provided by the King IV™ Report on Corporate Governance. This Charter was first approved by the Management Committee on 14 March 2019 and must be reviewed annually by the MANCOM (King IV™ Part 5.2, Principle 8).

18. HISTORY OF CHANGES

Reasons for Change - Index

A	As a result of incidents
B	As a result of audit findings
C.	Changes in Operating Procedures
D.	Changes in Legislation/Structures
E.	Changes in Technology
F.	Changes in Machinery/Equipment
G.	Results of risk assessments
H.	Change in training requirements
I.	New procedure format

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J.	Change due to spelling or grammatical error
K.	To integrate a special instruction into the document control system
L.	Other reasons

Date of change	Revised Item (Paragraph number) - include a reference if it is applicable	Reason	Name of reviewer
14 March 2019	New Charter	L	Committee
10 June 2019	Revised Format (Whole document)	I	A Collier
14 March 2020	Annual Review	L	A Collier

19. RECORD OF CONTROL

Records to be maintained in accordance with this policy / procedure:

Identification	Reference number	Responsible for filing	Responsible for maintenance	Location of storage area	Retention period	Method of disposal
Dealing with Policy		Legal -GRC	GRC	Association Offices/ SharePoint	Duration of document life	Shredding
Policy audit reports and findings		CFO	CFO	Office		
Corrective actions of the related findings or correspondences to the Policy		CFO	CFO	Office		

20. REFERENCES

Applicable Legislation

21 RELATED PROCEDURES

Document number	Document Title
LWUA-BM-GOV-POL	Association Governance Documentation Procedure

22 ANNEXURES

Annexure	Name
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Annexure	None