



Compliance Risk Management Charter

Legal Practice name: [REDACTED] (the organisation)

Reg. No: - [REDACTED]

Practice number: [REDACTED]

Responsible person: [REDACTED]

Cell: +27 [REDACTED], Email: [REDACTED]

Compliance officer: Siphonkosi

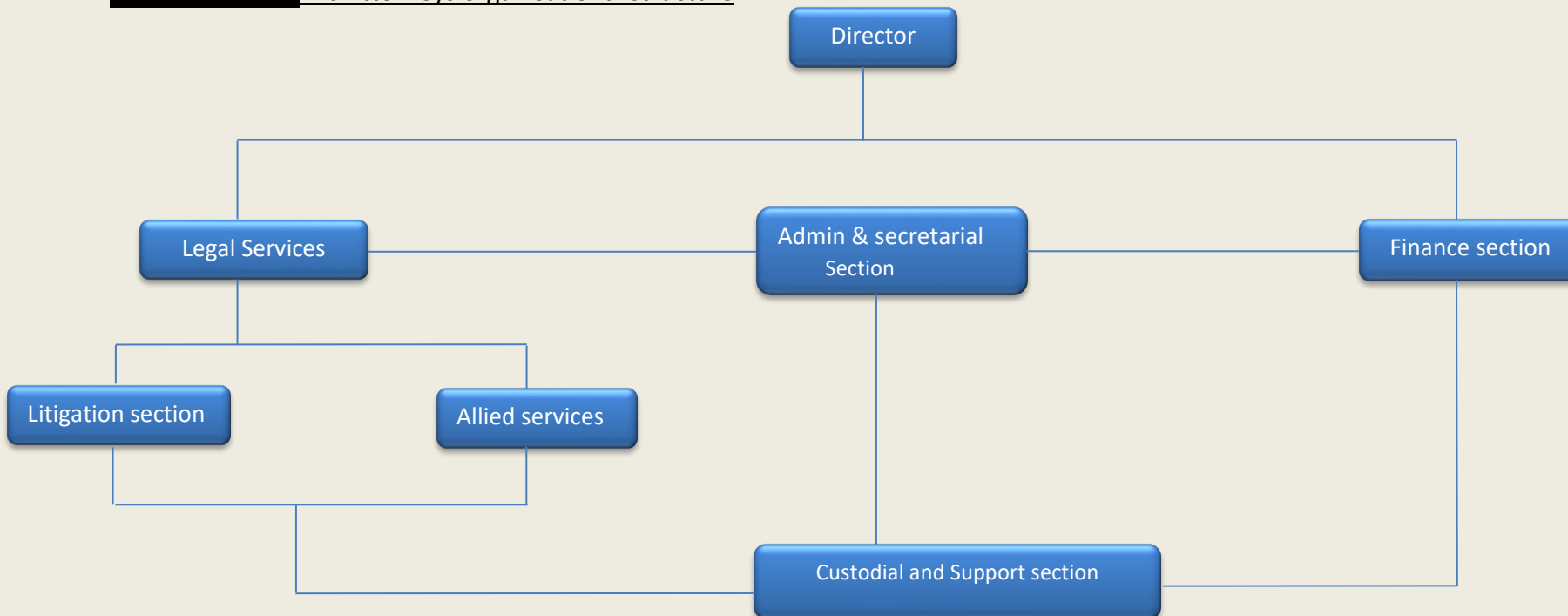
Cell: +27 83 986 0372, Email: info@igadvisory.co.za

COMPLIANCE CHARTER

1. Background Information

1.1 [REDACTED] (the organisation) is a legal practice that was founded in 2001 and is conducted by a director who is admitted and enrolled to practice, and the sole shareholder of the company. The practice has a staff complement of five people including a professional assistant, and operates from a commercial property, on a lease, situated in the central business district of the City Johannesburg. The practice provides general and allied legal services, and receives instructions from walk-in clients and referrals from legal cost insurance providers.

1.2 [REDACTED] Inc Attorneys organisational structure



COMPLIANCE CHARTER

Compliance Policy Statement

2.1 [Name of the practice] mantra is “ [REDACTED] ” and [aims to foster the spirit of constitutionalism in pursuit of justice].

2.2 [The organisation] recognises its accountability to all its stakeholders under the legal and regulatory requirements applicable to its business and is committed to high standards of integrity and fair dealing in the conduct of its business. [The organization] views the need to ensure compliance not with only the applicable legislation, but also supervisory requirements and industry guidelines, and views it as a way of conducting business in a manner that is fit and proper.

[The organisation] is committed to complying with both the spirit and letter of applicable requirements and to always act with due skill, care and diligence. The director regards compliance as a matter of high priority and formally endorses the establishment of the “CF” and urges each staff member to play their part in enhancing the culture of compliance throughout the organization. The director of [the organization] is ultimately accountable to its stakeholders for overseeing compliance requirements. The responsibility to facilitate compliance throughout [the organization] has been delegated to the appointed [Compliance Officer]. The “CF” is responsible for identifying, assessing, advising on, monitoring, and reporting on the regulatory compliance risk of the organization. The management of compliance risk forms part of the overall risk management framework of [the organization].

2.3 The “CF” is responsible for the effective implementation of the compliance policy. The primary responsibility for complying with the regulatory requirement lies with all members of staff conducting the particular activity to which the regulation applies. Compliance risks are serious and must be controlled by all members of staff in the organization. All relevant staff must be conversant with appropriate

COMPLIANCE CHARTER

legislation and subordinate regulations and rules promulgated by regulators as well as with the compliance manual and/or technical guidance notes applicable to their specific area of responsibility. [The organisation] depends on its members of staff to actively comply with both the letter and the spirit of the law. Any person failing to comply with internal policies, procedures and other requirements or who does not actively comply with the letter and the spirit of the legislation will be subject to disciplinary procedures. Any breach of this compliance policy is considered serious and may ultimately result to dismissal.

Compliance Risk Management Charter

3. [The organisation] is committed to the preservation of its reputation and integrity through compliance with all applicable laws, and regulations, and ethical standards in each of the markets in which it operates. The senior management of the organisation has collective responsibility for managing compliance risk across the organisation. The general management has collective responsibility for managing compliance risk within the business. A dedicated “CF” will assist management of the organisation in controlling compliance risk. All employees are expected to adhere to these laws, regulations and ethical standards, and management is responsible for ensuring such compliance. Compliance is an essential ingredient of good corporate governance.

[The organisation] has adopted the “CRM” Charter to help its business effectively manage their compliance risks. The charter defines compliance risk and describes the respective roles and responsibilities of management, employees, and “CF” for managing compliance risk. The charter refers to the Non-Financial Risk Framework that outlines the principles, processes and tools that managers, employees and “CF” use to manage compliance risk within [the organisation]. This charter aims to set out [the organisation]’s approach to managing compliance risks. [The organisation] takes cognisance of the compliance best practice guidelines and standards issued by the Legal Practice

COMPLIANCE CHARTER

Council, Financial Intelligence Centre and the information Regulator. This charter must be available to all members of staff.

3. Objectives

The purpose of the “CRM” Charter is to define the scope, organization, responsibilities and reporting lines of the organisation - [PhilNaRe](#).

This “CRM” Charter describes the framework and its translation within [the organization]. It specifically defines the roles and responsibilities of the risk management and compliance functions within the organisation. This Charter defines the responsibilities for the following areas to create a structured “CRM” organization:

- Risk Management;
- Compliance Risk;
- Governance oversight;
- Policies and Procedures;
- Training and Awareness;
- Internal Control Framework;
- Internal Audit;
- Communication and Conformance Reporting.

The responsibilities of other staff functions on “CRM” include HR control and legal communications. “CRM” is the responsibility of every employee. Every employee of the organisation has the responsibility to comply with applicable laws, regulations, standards and internal rules. Employees must be aware, understand, and ensure they meet the “CRM” obligations that impact their daily business operations – [Invensis](#).

COMPLIANCE CHARTER

4.1 Scope

The requirements included in this Charter are minimum operational requirements applicable throughout the organization. Compliance with these requirements are mandatory at all times.

5. Key definitions

5.1 **Compliance Function (“CF”)** - the Key Individual responsible for advising on, and for managing the Compliance Charter and framework within the organisation.

5.2 **Compliance Risk** - It is a failure (or perceived failure) to comply with the values and the compliance risk-related laws, regulations, codes and standards that is relevant to the specific services offered by a practice, or its ensuing activities, which could damage the organization’s reputation, and leads to legal or regulatory sanctions and/or financial loss.

5.3 **Employee** - Anyone who is permanently or temporarily employed by [Practitioner] or as a trainee at the practice which includes among others, all management and other staff of the organisation.

5.4 **Management** - The people, so appointed, who are individually or jointly responsible for the decision making, general operations and administration of [Practice], e.g. corporate level, business-line or section.

5.5 **Compliance Charter** - This Charter defines the fundamental principles, roles and responsibilities of the “CF” within the organization as well as its relationship with the audit function, senior management, and the business and operational functions.

5.6 **Compliance Risk Management (“CRM”)** - The practice of identifying potential risks in advance, analysing risks and taking precautionary steps to reduce/curb the risk - [ECT](#).

COMPLIANCE CHARTER

5.7 Risk Management and Compliance Programme “RMCP” – is a document that highlights the key regulatory requirements, the rating of the risk of non-compliance, a description of controls influencing the risk of non-compliance, and the individuals responsible for the maintenance of the controls.

5.8 Legal Practice Act 28 of 2014 (“LPA”) – the legislation regulating the affairs of legal practitioners and set the norms and standards.

6. Compliance risk

Compliance risk is the risk that the procedures implemented by the organisation to ensure compliance to the relevant statutory, regulatory and supervisory requirements are not adhered to and/or are inefficient and ineffective. Compliance risks result in the loss of authorisation by the regulators, penalties, fines, claims civil, and/or loss of reputation, which would jeopardise the business of [the organisation].

Compliance risks are serious and need to be taken seriously and controlled by all staff members of the organisation.

To effectively manage compliance risk is to:

- understand and promote the rules, regulations and laws;
- develop and enhance tools to strengthen the three lines of defence to detect, communicate and manage, and to report on compliance risks;
- support the organisation’s strategy by establishing clear roles and responsibilities to help embed good compliance practices throughout the organisation, by using a risk-based approach to align business outcomes with the organisation’s risk appetite and tolerance.
- deepen the culture of compliance by partnering with the business to increase the culture of trust, accountability, transparency and

COMPLIANCE CHARTER

integrity in evaluating, managing and in reporting on compliance risks - [Mike Ogden](#). The “CF” should not have any operational responsibilities which may pose a conflict of interest and impair independent reporting. The “CF” will be permitted direct access to the director.

7. The “CF”

Rule 54.14.7.1 of the Legal Practice Council Rules made under the “LPA”, requires the legal practitioner to implement and design internal controls to provide reasonable assurance of reliable financial reporting and to ensure that they operate effectively, and are monitored regularly throughout the reporting period, as part of its risk management framework. The director should establish and maintain a culture of continuous awareness of compliance issues. The “CF” is ideally positioned to deal with compliance risk as part of operational risk which falls within the scope of bigger risk management strategies of the organisation – [Christian Hunt](#).

The director must commit to the adoption of the internal control framework. The existence of satisfactory internal control structure reduces the probability of errors and irregularities - [AICPA](#). Components of internal control should be integrated with the management process and is one of the internal control frameworks for use by organisations. The “CF” should be able to provide the director of [the organisation] with regular information regarding the level of compliance with supervisory requirements, including issues of non-compliance in a timely manner.

The responsibility for managing the business rests with the senior management who is responsible for compliance with statutory, regulatory, supervisory and best practice requirements and is liable for consequences of non-compliance. The director delegates authority to the “CF”

COMPLIANCE CHARTER

to ensure that the compliance process is running effectively and that there is adherence to statutory, regulatory, supervisory and best practice requirements. The primary role of the “CF” is to assist with, enable, facilitate, and monitor the effective management of the compliance risks by the organisation. The “CF” identifies, assesses, advises, monitors and reports on the regulatory compliance risk in the organisation. Organisations that have efficient compliance functions can create a competitive advantage for themselves – [R.C. Bird & S.K. Park](#). “CF” enhances reputation and sustainability. The structure of the function should be appropriate to the organisation’s operations.

8. Responsibilities on RMCP

The director is responsible for supervising the policies of the practice and the general affairs of [the organisation], as well as providing advice to the practice. The director is responsible for supervising the practice with regard to the design and efficacy of the internal risk management and control systems, risks inherent in the business activities and compliance with laws, regulations and internal rules, from the compliance management plan perspective. [The organisation] needs to build risk management into its corporate strategy and daily operations - [Deloitte](#). To hold risks in check, [the organisation] should:

- decide what its risk appetite is, and what the costs and benefits are for risk avoidance or risk acceptance; and
- protect itself so that only an acceptable level of residual risk remains;

COMPLIANCE CHARTER

9. Management

The director is responsible for achieving [the organisation]’s aims, strategy and associated risk profile, the development of results and stakeholders’ issues that are relevant to the organisation. To meet the management’s “CRM” responsibilities, the director should appoint a key Individual to manage the “CRM” function. The director should:

- promote compliance and ethics by leading by example;
- provide sufficient resources to its “CRM” function (budget, staffing, etc.) for effective “CRM” management in the business.

The director may delegate implementation of tasks to the “CF”, but ultimately the responsibility for the effective management of compliance risk still resides with the management. Compliance risk is also managed effectively when the governance structure reviews and approves the compliance policy, and takes pains to foster a culture of compliance.

10. Independence and objectivity

Independence and objectivity are essential elements to ensuring the effectiveness of the “CRM” in an organization - [CCI](#) . Because of the nature of the work it sets out to do, the “CF” must remain independent, and this should be evidenced in the reporting lines of the organisation. The task of the “CF” is to identify and improve areas prone to non-compliance to monitor the effectiveness of the compliance system, and create a compliance awareness campaign with the aim of promoting a culture of compliance. The role of the “CF” is to provide advice, guidance, and training on compliance-related matters, define and rate the risk of non-compliance with specific regulatory requirements, identify and assess compliance obligations, and to design and implement policies, procedures and controls, to meet regulatory requirements. The structure of the compliance function must be appropriate to the organisation’s business and must be structured in a way that enables the function to execute its role and responsibilities effectively and efficiently.

COMPLIANCE CHARTER

11. Collaboration

The “CF” collaborates with other functions to ensure optimal leverage with existing approaches and methodologies - [Joydip Kanijala](#). The “CF” must, at all times, have unrestricted and direct access (in accordance with local laws and regulations) to all activities in their area of responsibility - KING III report *op.cit.*

12. Effective date

The director should determine the date when the “CRM” Charter takes effect, monitor management effectiveness in incorporating “CRM” into the practice, and regular management activities. The director should consider the status of “CRM” activities and develop, implement and maintain compliance related policies - [GAN INTEGRITY](#).

COMPLIANCE CHARTER

COMPLIANCE TRAINING POLICY

13. Introduction

Barack Hussein Obama in his inaugural speech as the 44th President of the United States on 21st January 2009 spoke of the need for renewed responsibility and accountability by those in public office, the responsible use of the planet's resources and the use of power tempered by humility and restraint, see [the White House President Barack Obama](#). Leadership is responsible for achieving good corporate governance outcomes. The directors of organizations are accountable for the proper functioning of the organizations, the value they create, its financial and non-financial performance, and its impact on those people and natural resources which are affected by the organization [CGF 2018-01-23](#).

The effective way of improving corporate governance is by ensuring the engagement of the compliance manager and improving corporate culture within the organization. What is needed is "a new era of responsibility". The director recognises the management of compliance risk forms part of the overall risk management framework of the practice. The training policy provides for the duties, functions and conduct of the employees from the custodial section of the practice to secretary, bookkeeper, and right up to the directors, to ensure the effective implementation of the principles of good governance espoused in KING IV Code. The KING IV Code focuses on the outcomes of good governance, rather than stipulating a checklist of behaviours that must be followed – see [CGF op. cit.](#)

The director of [the organisation] believes that good corporate citizenry for the benefit of the organisation, employees, clients and other stakeholders, is valuable commodity to the organisation. The organisation will be working towards the desired goal by:

- Participating in sector- seminars, group discussions, drills, spatial seeing (e.g.TV screens), interpersonal interaction, and/or simulations;
- Continuously evaluating the behaviour of the employees in performing their daily duties of handling mandates from the clients and the interaction with the practice's current and prospective clients;

COMPLIANCE CHARTER

- Evaluating the behaviour and conduct of the employees in handling information of the practice's clients and the funds entrusted to the practice by its clients;
- Reviewing the implementation of processes and procedures in the execution of the employees duties and functions;
- Adopting policies of corporate and professional conduct, including compliance with the applicable laws, rules and regulations, maintenance of accounting, financial and other controls, and developing compliance systems and controls;
- Work towards beginning to and adopt and implementing best practices of corporate governance and engender the culture of compliance in the practice.

The director has adopted this policy which includes following governance guidelines in the exercise of their responsibilities by the employees. This policy and guidelines shall be reviewed as is appropriate to reflect the evolving and developing trends of best practice and regulatory compliance in corporate governance.

14. Definitions:

- a) Stakeholders - The Legal Practice Council, clients, government and other role players in the legal sector.
- b) Shareholder – The practitioner who is the director of the private company which conducts the practice
- c) “CRM” – Compliance risk Management.

15. Functions of the shareholder

The director is responsible for the overall management and functioning of the practice and its responsibilities are to:

- Ensure that the employees perform their duties responsibly and enhance the on-going operations of the practice - ([accountability](#));
- Review processes and procedures set for the execution of their duties by the employees of the practice - ([transparency](#));

COMPLIANCE CHARTER

- Develop timelines for information required from the employees for carrying out duties assigned to the employees - [\(reliability\)](#);
- Establishing performance goals and overseeing the activities of the practice - [\(efficiency\)](#);
- Oversee the establishment of processes to assess the assurance of compliance by the practice - [\(openness\)](#);
- Participate in the sector sponsored events, initiatives and regulatory efforts on behalf of the practice - [\(stakeholder involvement\)](#);
- Ensure that employees must be aware, understand, and ensure they meet the “CRM” obligations that impact their daily business operations - [\(effective and ethical leadership\)](#);
- Every employee of the organisation has the responsibility to comply with applicable laws, regulations, standards and internal rules, i.e. “CRM” is the responsibility of every employee - [\(integrity\)](#).

The training of employees should focus on the following areas:

- Interaction with clients, and other stakeholders of the practice - [\(stakeholder engagement\)](#);
- Receiving the clients’ funds entrusted to the practice, the source of funds received, how the funds are received, from whom are the funds received, why are the funds handled by the practice - [\(legitimacy, responsibility and openness\)](#);
- Opening client files, keeping of the practice’s accounting records, recording the practice’s accounting transactions, source documents, client documents, what is recorded in accounting records, when and how are the accounting transactions recorded, how and where are the practice’s accounting records kept and/or stored, and for how long - [\(accuracy and reliability\)](#);
- Client mandates and/or consents required, execution of client mandates - [\(ethical conduct and efficiency\)](#);
- Preparation of a client statement of account prepared and what is recorded in the client file and statement of account - [\(fairness, honesty and transparency\)](#);
- Verification of clients’ identity (CDD process), on-going verification of information, processing, storage and destruction of PI - [\(accountability\)](#).