

OVERBERG DISTRICT MUNICIPALITY



Fraud and Risk
Management Committee

Terms of Reference

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1. Introduction

The Fraud and Risk Management Committee (FARMCO) serves as a forum to assist the accounting officer in addressing its oversight requirements of risk management and evaluating and monitoring the municipality's performance with regards to risk management.

This document sets out the Fraud and Risk Management Committee's:

- Constitution;
- Objectives;
- Responsibilities;
- Authority;
- Membership;
- Meetings; and
- Reporting and administrative arrangements.

This document should be read in conjunction with the Overberg District Municipality's Risk Management Strategy and Framework.

2. Constitution of Fraud and Risk Management Committee

The Fraud and Risk Management Committee's terms of reference apply to the Overberg District Municipality.

The Fraud and Risk Management Committee must be established by the Accounting Officer to act in the capacity of a management risk committee in respect of the Overberg District Municipality to assist the Accounting Officer to carry out his/her legislative requirements in terms of Section 62(1)(c)(i) and 95(c)(i) of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

Clear guidelines in terms of the roles and responsibilities of the Risk Management Committee are also stipulated in the Public Sector Risk Management Framework produced by National Treasury and the King III and IV Code of Corporate Governance.

3. Objectives of Fraud and Risk Management Committee

The objectives of the Fraud and Risk Management Committee are to assist the Accounting Officer, Council and the Audit Committee in discharging their accountability for risk management by formulate, promote and review the risk management objectives, strategy and policy and to monitor the process at all levels of the Municipality that will enhance its ability to achieve strategic object and providing recommendations for improvement.

4. Membership of the Fraud and Risk Management Committee

The Fraud and Risk Management Committee must be representative of the senior management of the Overberg District Municipality across a variety of disciplines.

The Risk Management Committee, appointed by the Accounting Officer, shall comprise of the following representatives:

- | | |
|--|-------------|
| • External representative (Nominee from the Audit and Performance Audit Committee) | Chairperson |
| • CFO | Member |
| • Director: Community Services | Member |
| • Director: Corporate Services | Member |
| • Manager: Performance and Risk Management | Member |
| • Manager IDP/Communication | Member |

Standing invitees to the Committee shall be:

- Municipal Manager
- Chief Audit Executive: Internal Audit Services;
- Chief Risk Officer

All members of the committee shall have a working familiarity with risk assessments and risk management. The members of the committee shall be knowledgeable about the affairs of the municipality.

The Chairperson of the Fraud and Risk Management Committee may request any other municipal employee and/or external party to attend Fraud and Risk Management Committee meetings or participate in certain agenda items or where appropriate specific skills are required.

The Committee members may in their absence, delegate their roles and responsibilities to a designated official of their choice.

The Committee members should submit to the Committee in writing their intention of delegating their powers to the designated official of their choice.

The designated official mandated to act on the principal Fraud and Risk Management Committee member's behalf should abide by the relevant rules and regulations of the Committee.

The permanent member must attend 50% or more of the Committee meetings held in that particular financial year in person.

Membership of this committee shall cease on the date when persons who hold the titles afore stated are no longer in the positions they currently hold.

5. Authority of the Fraud and Risk Management Committee

The Fraud and Risk Management Committee assists the Accounting Officer to monitor and review the risk management strategy and framework of the Overberg District Municipality and to ensure the implementation thereof across the entire sphere of the municipality.

The Fraud and Risk Management Committee has unrestricted access to all information (unless there are sound legal or other reasons for not having such unrestricted access), including records, property and personnel of Overberg District Municipality, and must be

provided with adequate resources to fulfil its responsibilities. The Committee must uphold the confidentiality of all confidential information placed before it.

The Committee is authorised by the Accounting Officer to:

- Investigate any activities within its terms of reference.
- Seek outside legal or other independent professional advice.
- Secure the attendance of outsiders with the relevant experience and expertise where necessary for the municipality's expense.
- Discuss any matters with municipality's internal and external auditors, or other external parties (subject to confidentiality considerations).
- Request the attendance of any staff members at the Fraud and Risk Management Committee meetings.
- Seek any information it requires from any employee, and all employees are directed to co-operate with any requests made by the Fraud and Risk Management Committee.

6. Responsibilities and Duties of Fraud and Risk Management Committee

The Committee must perform all the functions deemed necessary to fulfil its role, including the following:

- a) Review the risk management policy and strategy and recommend for approval by Municipal Manager & Council
- b) Review the Code of Ethics and recommend for approval by Council
- c) Review the Fraud Prevention Plan/Strategy and Anti-Fraud and Corruption Policy and recommend for approval by Council
- d) Review the Combined Assurance Policy Framework and recommend for approval by Audit and Performance Committee (APAC) and Council
- e) Review the risk appetite and tolerance and recommend for approval by Municipal Manager & Council
- f) Assist in the prioritisation of risk responses
- g) Review the institution's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register
- h) Evaluate the effectiveness of the implementation of the fraud prevention policy
- i) Review any material findings and recommendations by assurance providers on the system of risk management and monitor that appropriate action is instituted to address the identified weaknesses
- j) Report any material changes to the risk profile to the necessary parties
- k) Set goals, objectives and key performance indicators to measure the effectiveness of the risk management activity
- l) Monitor the performance of the risk management process
- m) Consider whether risk management processes are implemented to ensure that risks are adequately mitigated. Management is accountable for integrating risk management into the daily activities of the organisation
- n) The committee must satisfy itself that the strategy and business plans are not encumbered by risks that have not been thoroughly examined by management

- o) Ensure that the roles and responsibilities of management with regard to risk management are clear and communicated
- p) Promote a risk management culture in the Overberg District Municipality
- q) Ensure that management has performed formal risk assessments, and if necessary, comment on the strategy for managing those risks. The Committee should ensure that adequate assurance is given over key controls. Assessments must include IT, ethics, and sustainability, compliance, and reputation risks as well as for major projects and new ventures
 - The Overberg strategic risks must be reviewed formally at least once a year, and the results communicated to this Committee and to Council
 - Faculty risk dashboards and all department risk registers must be reviewed annually
 - Risk registers/dashboards for support units must be reviewed annually
 - Risk dashboards prepared by the following areas/functions must be submitted to the committee:
 - Health and Safety
 - Departmental Risk
 - Financial risk
 - Fraud Prevention and Whistle blowing/Hotline
 - Regulatory Reporting and Compliance
- r) Monitor the possibility of unpredictable and catastrophic risk events
- s) Ensure that continuous risk monitoring by management takes place
- t) Advise the Senior Executive Team on urgent and emerging risk issues and required initiatives
- u) Exchange minutes and documentation with the Audit and Performance Audit Committee
- v) Review contingency planning arrangements and business continuity management plans
- w) Members are also expected to:
 - contribute the time needed to study and understand the papers provided;
 - apply good analytical skills, objectivity and good judgment; and
 - express opinions, frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

7. Meetings of the Fraud and Risk Management Committee

7.1. Frequency

The Fraud and Risk Management Committee must meet on a quarterly basis.

The Chairperson is required to call a meeting if required by the Council or another Fraud and Risk Management Committee member.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the Fraud and Risk Management Committee on an annual basis for inclusion into the Calendar for the ensuing year.

7.2. Minutes of Meetings

The Secretariat function of the Fraud and Risk Management Committee shall be the responsibility of the Unit responsible for Risk Management. The minutes of the meetings shall be completed within ten (10) working days of such meeting and shall be circulated to all members of the committee and other relevant personnel as directed by the committee. The minutes shall be available to Council as required by them. The minutes shall also be made available to the Audit and Performance Audit Committee.

The person fulfilling the secretariat function will further ensure that the agenda for each meeting and supporting papers are circulated, after approval from the Chairperson, at least one week prior to the meeting. Minutes of meetings must be approved by the Chairperson and circulated to each member of the Fraud and Risk Management Committee and the invitees, as appropriate.

7.3 Quorum

Fifty percent plus one (1) of the members must attend the meeting to constitute a quorum. Meetings must be held in person, or in special circumstances, by telephone or video conference.

7.4 Remuneration

The external member/s serving on the Fraud and Risk Management Committee shall be remunerated for services rendered in terms of National Treasury tariffs for of non-official members: Commissions & Committees of inquiry, and Audit Committees and the travelling costs will be paid out per the Department of Transport Tariffs.

7.5. Duration of membership - external member

The External member will be a member of the Risk Committee as long as he/she is a member of the Audit and Performance Audit Committee.

7.6 Duration of membership

Membership to the Fraud and Risk Management Committee shall be on the basis of holding of positions mentioned in point 4 of this document.

8. Administrative Arrangements

8.1 Specific Reporting Requirements

The committee will regularly, but at least once a year, report to Council and Audit and Performance Audit Committee on its operation and activities during the year. The report should include:

- a summary of the Fraud and Risk Management Committee progress in addressing the findings and recommendations made in reports submitted to the Fraud and Risk Management Committee;
- an overall assessment of risk management progress and the strategic risk register, including details of any new or significant emerging risks;

- Details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended; and
- Fraud related matters.

The Fraud and Risk Management Committee may, at any time, report to Council and the Audit and Performance Audit Committee any other matter it deems of sufficient importance to do so.

8.2 Conflicts of Interest

The Fraud and Risk Management Committee members must declare any conflicts of interest at the commencement of each committee meeting or prior to discussion of the relevant agenda item or topic. Details of any conflicts of interest should be minute. Details of any conflicts of interest should be kept on record.

If a member or invited participant of a Fraud and Risk Management Committee meeting is deemed to have a real, or perceived, conflict of interest, then it may be appropriate for them to be excused from committee deliberations on the relevant issue.

8.3 Review of the Fraud and Risk Management Committee Terms of Reference

The Fraud and Risk Management Committee will review this document every year if it is deemed necessary by the Fraud and Risk Management Committee.

9. Date of last approval

Approved by Council: 30 June 2017, Item A111
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