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CAPE AGULHAS MUNICIPALITY  
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**CAPE AGULHAS MUNICIPALITY**

**FRAUD AND RISK MANAGEMENT COMMITTEE**  
**(FARMCO) CHARTER**

**2019/2020**

**CAPE AGULHAS MUNICIPALITY: FRAUD AND RISK MANAGEMENT COMMITTEE CHARTER 2019/20**

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**GLOSSARY OF TERMS**

Throughout this document, unless stated otherwise, the words in the first column below have the meaning stated in the second column and cognate expressions shall bear corresponding meanings.

<b>Chief Risk Officer /CRO</b>	Means the Chief Risk Officer of the Overberg District's shared risk management services.
<b>Committee / FARMCO</b>	Means the Fraud and Risk Management Committee of the Cape Agulhas Municipality
<b>Audit Committee</b>	Means the Audit Committee established in terms of Section 166 of the MFMA.
<b>Chief Audit Executive / CAE</b>	Means the Chief Audit Executive of the Cape Agulhas Municipality.
<b>Fraud</b>	Means "the unlawful and intentional making of a misrepresentation which causes actual prejudice or which is potentially prejudicial to another" (National Treasury)
<b>Fraud and corruption prevention policy</b>	Means the Fraud and Corruption Prevention Policy as approved by Council.
<b>Fraud and corruption prevention strategy</b>	Means the Fraud and Corruption Prevention Strategy as approved by Council.
<b>Directors</b>	Means any person appointed by the Municipality in terms of Section 56 of the Systems Act./Risk Owners
<b>MFMA</b>	Means the Local Government: Municipal Finance Management Act 56, 2003, (Act No 56 of 2003) including any regulations made in terms thereof and amendments thereto as enacted from time to time.
<b>Municipal Manager / Accounting Officer</b>	Means the Municipal Manager of the Cape Agulhas Municipality appointed in terms of Section 55 of the Systems Act.
<b>Municipality</b>	Means the Cape Agulhas Municipality, a local municipality established in terms of section 12 of the Local Government Municipal Structures Act.
<b>Risk Management Champion</b>	Means the Risk Management Champions of the Cape Agulhas Municipality appointed by Municipal Manager.
<b>Risk Owner</b>	The individual who is ultimately accountable for ensuring the <b>risk</b> is managed appropriately. (Director)

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<b>Risk Management Policy</b>	Means the Risk Management Policy as approved by Council.
<b>Risk Management Strategy</b>	Means the Risk Management Strategy as approved by Council.
<b>Structures Act</b>	Means the Local Government: Municipal Structures Act 117, 1998 (Act No 117 of 1998) including any regulations made in terms thereof and amendments thereto as enacted from time to time.
<b>Systems Act</b>	Means the Local Government: Municipal Systems Act 32, 2000 (Act no 32 of 2000), including any regulations made in terms thereof and amendments thereto as enacted from time to time.

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## 1 PURPOSE

Section 62 (1) (a) of the Municipal Finance Management Act (hereafter referred to as "MFMA") states, inter alia, 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 controls.

The National Treasury has issued a number of guidelines to assist institutions to embed risk management into the culture of all government institutions. One of those tools is the requirement to establish a Fraud and Risk Management Committee (FARMCO) with defined and approved terms of reference.

The Fraud and Risk Management Committee (the "Committee") is a high level advisory body that has been established within the Cape Agulhas Municipality to assist the Accounting Officer to fulfil his/her responsibilities for Risk Management as set out in the MFMA, and in accordance with the Public Sector Risk Management Framework and corporate governance principles. This Charter, therefore, highlights the roles and responsibilities of the Committee.

## 2 AUTHORITY

The Committee shall have the requisite authority to review, assess and analyse any risk related matters of the Municipality and request members of management, or any other staff member as may be required, to appear before it to account for their delegated responsibilities in respect of risk management to provide advice or information as and when required.

## 3 ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Committee will be as follows:

a) Key Performance Indicators (KPI's)	<ul style="list-style-type: none"><li>• Develop its own KPI's for the approval of Council.</li></ul>
b) Risk appetite	<ul style="list-style-type: none"><li>• Review the risk appetite and recommend for the approval of Council; and</li><li>• Revise the risk appetite at least annually.</li></ul>
c) Risk management policy	<ul style="list-style-type: none"><li>• Review the risk management policy and recommend for the approval of Council;</li><li>• Revise the risk management policy at least annually;</li><li>• Monitor implementation of the risk management policy; and</li><li>• Review the risk management policy on an annual basis.</li></ul>
d) Risk management strategy	<ul style="list-style-type: none"><li>• Review the risk management strategy and recommend for the approval of Council;</li><li>• Revise the risk management strategy at least annually; and</li><li>• Monitor implementation of the risk management strategy;</li></ul>

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	<ul style="list-style-type: none"> <li>Evaluate the effectiveness of the risk management strategy through a monitoring and evaluation framework that contains KPI's which are specifically developed to measure the outcome and impact of the strategy.</li> </ul>
e) Risk management implementation plan	<ul style="list-style-type: none"> <li>Review the risk management implementation plan and recommend for the approval of Council; and</li> <li>Monitor implementation of the risk management implementation plan.</li> </ul>
f) Fraud and corruption prevention policy	<ul style="list-style-type: none"> <li>Review the fraud and corruption prevention policy and recommend for the approval of Council;</li> <li>Review the fraud and corruption prevention policy at least annually;</li> <li>Assess implementation of the fraud and corruption prevention policy; and</li> <li>Review the fraud and corruption prevention policy on an annual basis.</li> </ul>
g) Fraud and corruption prevention strategy	<ul style="list-style-type: none"> <li>Review the fraud and corruption prevention strategy and recommend for the approval of the Council;</li> <li>Revise the fraud and corruption prevention strategy at least annually;</li> <li>Monitor implementation of the fraud and corruption prevention strategy; and</li> <li>Evaluate the effectiveness of the fraud and corruption prevention strategy through a monitoring and evaluation framework that contains KPI's which are specifically developed to measure the outcome and impact of the strategy.</li> </ul>
h) Fraud and corruption prevention implementation plan	<ul style="list-style-type: none"> <li>Review the fraud and corruption prevention implementation plan and recommend for the approval of Council; and</li> <li>Monitor implementation of the fraud and corruption prevention implementation plan.</li> </ul>
i) Risk universe	<ul style="list-style-type: none"> <li>Review the risk universe and recommend for the approval of Council; and</li> <li>Revise the risk universe at least annually.</li> </ul>
j) Risk rating tables (impact & likelihood)	<ul style="list-style-type: none"> <li>Review the risk rating tables and recommend for the approval of Council; and</li> <li>Revise the risk rating tables at least annually.</li> </ul>
k) Risk profile	<ul style="list-style-type: none"> <li>Report any material changes to the risk profile of the municipality to Council;</li> <li>Report any material changes to the risk profile of the municipality to the Audit Committee;</li> <li>Measure and understand the municipality's strategic risk profile;</li> </ul>

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	<ul style="list-style-type: none"> <li>• Measure and understand the municipality's overall exposure to risks on an operational level;</li> <li>• Measure and understand the municipality's overall exposure to its Occupational Health &amp; Safety (OH&amp;S), IT and Disaster Management Risk Assessments and ensure that proper processes are in place to prevent these risks from materialising;</li> <li>• Measure and understand the municipality's overall exposure to fraud and corruption and ensure that proper processes are in place to prevent these risks from materializing;</li> <li>• Monitor those compliance issues that the municipality is battling with and provide recommendations; and</li> <li>• Evaluate the effectiveness of mitigating strategies to address the material risks of the municipality through a monitoring and evaluation framework that contains KPI's which are specifically developed to measure the outcome and impact of the strategies.</li> </ul>
l) Reporting	<ul style="list-style-type: none"> <li>• Provide timely and useful reports to the FARMCO on the state of risk management, together with accompanying recommendations to address any deficiencies identified by the committee and to share information relating to material risks of the municipality.</li> </ul>
m) Assurance providers	<ul style="list-style-type: none"> <li>• Review any material findings and recommendations by assurance providers on the system of risk management; and</li> <li>• Monitor that appropriate action is instituted to address the weaknesses identified by assurance providers by determining whether the weakness has been addressed and the risk eliminated.</li> </ul>
n) System of risk management	<ul style="list-style-type: none"> <li>• Evaluate the extent and effectiveness of integration of risk management within the municipality.</li> </ul>
o) Business Continuity Framework	<ul style="list-style-type: none"> <li>• Review adequacy of documents and processes; and recommend to council for approval</li> </ul>
p) Combined Assurance Framework	<ul style="list-style-type: none"> <li>• Review adequacy of documents and processes; and recommend for Approval of FARMCO</li> </ul>
q) Code of Ethics	<ul style="list-style-type: none"> <li>• Review adequacy of documents and processes; and recommend to council for approval</li> </ul>

#### **4. MEMBERSHIP COMPOSITION**

The members shall be formally appointed by the Accounting Officer. The members, as a collective, shall possess the necessary blend of skills, expertise and knowledge of the municipality, including familiarity with the concepts, principles and practices of ERM, such that they can contribute meaningfully to the advancement of ERM within the municipality.

The Committee shall consist of the following members:

- An independent external person, appointed by the Accounting Officer
- All Directors
- Division Head: Strategic Planning and Administration
- Division Head: HR and Organisational Development
- Manager ICT
- Manager Protection Services
- Manager ETS
- A Risk Management Champion / Officer of the Cape Agulhas Municipality (also acting as the Secretariat).

Other Invitees:

- Chief Audit Executive (in an advisory and observation capacity).
- Chief Risk Officer of the district's shared risk management services (Standing Invitee).
- Any other person who may be co-opted to provide specialist skills, advice and counsel.

#### **5. MEETINGS**

- 5.1 The committee shall meet at least four times per annum. The Chairperson of the Committee may convene additional meetings as circumstances may dictate.
- 5.2 The Committee meetings should be held before the Audit and Performance Audit Committee to allow time for the compilation of the risk management report for submission to the Audit committee.  
The Audit committee will be provided with the previous approved minutes of FARMCO and a quarterly progress report of risk management activities.
- 5.3 Meeting agendas will be prepared in consultation with the Chair and provided within 5 working days to members, along with appropriate briefing materials.
- 5.4 The Committee members must, 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 FARMCO member's behalf should abide by the relevant rules and regulations of the Committee.

##### **5.1 MEETING ATTENDANCE**

The chairperson may:



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- extend an open invitation to particular non-members to attend full meetings;
- invite particular non-members to attend meetings in connection with specific agenda items.

### **5.2 QUORUM**

50% plus one constitutes a quorum. If there is no quorum, the meeting will be adjourned to a new date and time as determined by the chairperson, not exceeding 2 (two) weeks.

### **5.3 MEETING PROCEDURES**

- 5.3.1 Any member of the Committee may add items to the agenda at least seven (7) working days prior to the date of the meeting. Such items shall be provided to the chairperson and/or the secretary for inclusion in the agenda.
- 5.3.2 Decisions of the Committee shall be based on consensus, failing which, a majority decision of members will prevail.

### **5.4 SECRETARIAT FUNCTION**

- 5.4.1 The Secretariat function of the Committee shall be the responsibility of a Cape Agulhas Risk Management Champion.
- 5.4.2 The secretariat shall forward the notice of each meeting of the Committee to all members no later than five (5) working days prior to the date of the meeting. The notice shall be undersigned by the chairperson and confirm the venue, time, date, agenda and include the documents for discussion.
- 5.4.3 Minutes, agendas and applicable documentation shall be considered delivered if done so electronically.
- 5.4.4 The secretary shall also keep minutes of all Committee meetings. The minutes of the meetings shall be completed within seven (7) working days after the Committee meeting and be circulated to the chairperson and all relevant officials. The minutes shall be approved at the next Committee meeting.

## **6. PERFORMANCE EVALUATION**

- 6.1 The Committee will set clear objectives and key performance indicators in respect of risk management. These indicators will be able to measure the Committee's effectiveness in contributing to the achievement of the municipality's goals and objectives.
- 6.2 The Committee will annually undertake a self-assessment on its performance.
- 6.3 The Chairperson will provide each member with feedback on that member's contribution to the committee's activities at least once during a member's term of office.
- 6.4 The assessment will include training needs for each committee member.

## **7. REVIEW AND APPROVAL OF THE CHARTER**

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The Risk Management Committee will review this document on an annual basis in consultation with the Accounting Officer and/or Council of the Cape Agulhas Municipality.

Any changes to the terms of reference will be recommended by the FARMCO and will be formally approved by the Council of the Cape Agulhas Municipality.

<b>STATUS</b>	<b>FARMCO APPROVAL AND REVIEW</b>	<b>COUNCIL APPROVAL</b>	<b>RESOLUTION NUMBER</b>
First approval	11 June 2015	28 June 2015	176/2015
Review	24 March 2017	31 March 2017	36/2017
Review	19 March 2018	25 September 2018	124/2018
Review	12 July 2019	23 July 2019	131/2019

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Municipal Manager

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Date

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Council Resolution