SWELLENDAM MUNICIPALITY

FRAUD & RISK MANAGEMENT COMMITTEE (FARMCO) CHARTER

VERSION	COUNCIL RESOLUTION	APPROVED DATE	IMPLEMENTATION DATE
1	A126	28 AUGUST 2024	1 JULY 2024
1.1	A113	30 JUNE 2025	1 JULY 2025

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1. CONSTITUTION

The Fraud & Risk Management Committee (Committee) has been established by the Swellendam Municipality to assist the Municipal Manager (MM) to fulfil his fraud prevention; risk management and control responsibilities in accordance with prescribed legislation and corporate governance principles.

2. OBJECTIVES

The primary objective of the Committee is to assist the MM in discharging his accountability for fraud prevention and risk management by reviewing the effectiveness of the Municipality's fraud prevention and risk management systems, practices and procedures, and providing recommendations for improvement.

3. COMPOSITION

Permanent members of the Committee shall be formally appointed by the MM. The members, as a collective, shall possess the blend of skills, expertise and knowledge of the Municipality, including familiarity with the concepts, principles and practice of fraud and risk management, such that they can contribute meaningfully to the advancement of fraud and risk management within the municipality.

Membership shall comprise:

- Chairperson (Municipal Manager); and
- Senior Management (Directors)

Standing invitees to the Committee shall be:

- Chief Risk Officer; and
- Internal Audit Activity

The Committee may invite other members of Management and any other person who may be co-opted to provide specialist skills, advice and counsel.

The Committee shall be chaired by the Municipal Manager.

4. AUTHORITY

The Committee has the requisite authority to request management to appear before it to account for their delegated responsibilities in respect of fraud and risk management.

5. ROLES AND RESPONSIBILITIES

The duties of the Committee shall be to:

- Review the risk management policy, strategy and implementation plan and recommend for approval by Council.
- Review the business continuity framework/ business resilience plan and recommend for approval by Council.
- Review the effectiveness of the Business Continuity Committee and provide recommendations for improvement.
- Review and approve the Combined Assurance Framework and quarterly monitor progress on the Combined Assurance Model.
- Review the risk appetite and tolerance and take remedial action if required.
- Review the Municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register.
- Evaluate the effectiveness of mitigating strategies to address the material risks of the Municipality.
- Report on any material changes to the risk profile of the Municipality.
- Ensure that the roles and responsibilities of Management with regard to risk management are clear and communicated.
- Review the Municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register, to ensure that all possible categories of risks, both internal and external, have been identified during the risk assessment process, including an awareness of emerging risks.
- Review the Code of Ethics and recommend for approval by Council.
- Ensure the implementation of ethics risk management to continuously cultivate a culture of sound ethical principles.
- 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.
- Set out the nature, role, responsibility and authority of the risk management function within the Municipality and oversee the performance of the risk management function.
- Provide proper and timely reports on the state of risk management, together with aspects requiring improvement and accompanied by the Committee's recommendations to address such issues.

In terms of fraud prevention, the Committee is responsible for ensuring that the following is achieved:

- Review the fraud prevention strategy, policy and plan and recommend for approval by Council.
- Evaluate the effectiveness of the implementation of the fraud prevention policy.
- Monitoring of the application of the policy and ensuring adequate supervision and dynamism of the controls and procedures.
- The planned and required activities are undertaken such as the policy inclusion in the letter of appointment for staff, communication and training campaigns.
- Review the process implemented by management in respect of fraud prevention and ensure that all fraud related incidents have been followed up appropriately. (part of the departmental risk register)
- An appropriate fraud risk assessment is completed. (part of the departmental risk register)
- The reports of fraud and misconduct are effectively handled.
- Consistent and appropriate action is taken on known incidents of fraud and misconduct.
- Annual reporting to the Audit and Performance Audit Committee that summarises the Municipality's fraud prevention, detection and action for the period.

6. MEETINGS

The Committee shall meet at least four times per annum. The Chairperson of the Committee or a majority of the permanent members of the committee may convene additional meetings as circumstances may dictate.

7. ADMINISTRATIVE DUTIES

The Chief Risk Officer, or such person as appointed by the Committee, shall be the secretary of the Committee. The secretary shall forward the notice of each meeting of the committee to all members prior to the date of the meeting. The notice shall confirm the venue, time, date and agenda and include the documents for discussion.

The minutes of the meetings shall be completed by the secretary and sent to all relevant officials for comment within seven working days after the meeting.

The minutes shall be approved at the immediately following meeting, whereupon the approved minutes will be circulated to all attendees within three working days.

8. QUORUM

50% plus one constitutes a quorum. A permanent member of the Committee may nominate a proxy on his / her behalf. This provision shall lapse if the permanent member fails to attend 50% or more of the Committee meetings held in that particular financial year in person.

9. PERFORMANCE EVALUATION

The Committee shall evaluate at least annually its performance in terms of its charter.

10. REVIEW OF THE CHARTER

The Charter should be reviewed once every Council term to ensure that it remains relevant with the Committee's authority, objectives and responsibilities. Significant changes must be approved by the Municipal Council.