

FRAUD- AND RISK COMMITTEE TERMS OF REFERENCE

1. TITLE OF THE COMMITTEE

The name of the Committee shall be the West Coast District Municipality Fraud and Risk Committee (herein after referred to as “the Committee”).

2. PURPOSE OF THIS DOCUMENT

The purpose of this document is to set out the Committee’s roles and responsibilities as well as the requirements for its composition and meeting procedures.

3. CONSTITUTION OF THE COMMITTEE

The Committee has been established to assist the Municipal Manager to fulfill his risk management responsibilities in accordance with prescribed legislation and corporate governance principles.

4. OBJECTIVES OF THE COMMITTEE

- 4.1 To enable the achievement of fraud and risk management objectives in accordance with:
 - i. Municipal Finance Management Act, 2003 (Act 56 of 2003)
 - ii. Public Sector Risk Management Framework
 - iii. Prevention and Combating of Corrupt Activities Act, 2003.
- 4.2 To build organisational capacity and knowledge.
- 4.3 To oversee the fraud and risk management governance within the municipality.
- 4.4 To review the effectiveness of the municipality’s risk management systems, practices, procedures and provide recommendations for improvement.
- 4.5 To promote sound financial governance and accountability.

5. COMPOSITION OF THE COMMITTEE

- 5.1 The Committee is appointed by the Municipal Manager. The Committee should be representative of the municipal directorates.
- 5.2 Members should have the necessary blend of skills, competencies and attributes, including the following:
 - An intimate understanding of the municipality’s mandate and operations;
 - The ability to act independently and objectively in the interest of the municipality; and

- A thorough knowledge of the risk management principles and their application.

5.3 The Committee will consist of:

- the Municipal Manager;
- the Directors;
- an Audit Committee Member (ex officio); and
- an external independent Chairperson.

In the absence of an external independent chairperson, the nominated audit committee member will fulfill the role of the chairperson.

5.4 Standing invitees will include internal audit; risk management, risk champions and a member of the Audit Committee.

5.5 The Chairperson may co-opt specialists to attend committee meetings to address any issues requiring their specialized input for example Insurance, Disaster Management, Legal, Human Resources, Generally Recognized Accounting Practice, etc.

5.6 The Committee may invite other non-members to attend meetings, but non-members may not participate in decision-making.

6. AUTHORITY

6.1 The Municipal Manager will appoint the external independent Chairperson of the Committee. The chairperson must be rotated every three years.

6.2 The Committee has the authority to request any member/s of management to appear before it to and to account for their delegated responsibilities in respect of risk management.

7. ROLES AND RESPONSIBILITIES

The duties of the Committee shall be to:

- 7.1 Review the risk management policy, strategy and plan for approval to Council;
- 7.2 Review the risk appetite and tolerance for approval to Council;
- 7.3 Assess implementation of the risk management policy, strategy and plan;
- 7.4 Review the strategic risk registers and operational risk registers on a quarterly basis;
- 7.5 Consider new/emerging risks that require escalation and/or monitoring as well as risks that should be retired;

- 7.6 Consider the following reports on a quarterly basis:
- i. Insurance report
 - ii. Occupational health and safety report
 - iii. Incident and accident report
 - iv. Legal and compliance report
 - v. Fraud and whistle blowing incidents
 - vi. Internal audit reports in respect of risk management
- 7.7 Review the municipality's risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
- 7.8 Evaluate the effectiveness of mitigating strategies to address the material risks of the municipality;
- 7.9 Consider and make appropriate recommendations in respect of material changes to the risk profile of the municipality as well as risks above the approved appetite levels;
- 7.10 Review the business continuity and disaster recovery plan of the municipality and the adequacy of controls for the applicable identified risks as well as assess potential crises that may affect the municipality;
- 7.11 Review the impact of any changes in the municipality on the risk management process and that the responses to these changes are included in the risk profile of the municipality;
- 7.12 Evaluate the extent and effectiveness of integration of risk management within the municipality;
- 7.13 Oversee the implementation of risk awareness to all staff levels;
- 7.14 Review the fraud strategy, policy and plan for approval to Council;
- 7.15 Evaluate the effectiveness of the implementation of the fraud strategy, policy and plan;
- 7.16 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;
- 7.17 Develop key performance indicators for the Committee for approval by the Municipal Manager;
- 7.18 Develop key performance indicators to measure the effectiveness of the risk management activity;
- 7.19 Oversee the performance of the risk management function; and

7.20 Interact with the Audit and Performance Audit Committee to share information relating to material risks of the municipality.

8. 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.

9. SUB COMMITTEES

9.1 The Committee may constitute sub-committees to address specific issues and to make recommendations to the Committee.

9.2 The Municipal Manager must approve the establishment of a sub-committee.

9.3 The terms of reference of the sub-committee must be aligned to that of the Committee.

9.4 The Committee exercises control over the functioning of the sub-committees.

10. ADMINISTRATIVE DUTIES

The Municipal Manager will appoint a secretary for the Committee and any Sub-Committees when required. The secretary will:

- i. prepare and issue notices for meetings two weeks prior to the meeting;
- ii. be responsible for other logistical arrangements (i.e. booking of venues, sending reminders, arranging tea/coffee, etc.);
- iii. prepare and distribute agendas for meetings one week prior to the meeting, ensuring all necessary documents requiring discussion or comment are attached to the agenda;
- iv. prepare minutes of the meetings as well as an action list;
- v. distribute the minutes of the meetings to all Committee members within 14 days after the meeting;
- vi. ensure that the minutes of the meetings are reviewed by the Chairperson of the Committee and accepted by the Committee members as a true and accurate record at the commencement of the next meeting;
- vii. circulate the final minutes of the Committee meetings to all members of the Committee, the Audit and Performance Audit Committee, Executive Management and Council; and
- viii. schedule an induction session for new members in terms of their roles and responsibilities.

11. QUORUM

Decisions will only be made based on the quorum, considering confirmed attendance to the meeting. The quorum for the meeting shall be three (3) members.

12. PERFORMANCE EVALUATION

The Committee will annually undertake a self-assessment on its performance. The Chairperson will provide feedback to the Committee and individual members. Action plans will be formulated to address areas requiring performance improvements which will include training needs of the Committee members.

13. REVIEW OF THE TERMS OF REFERENCE

The Committee will review the charter annually from the date of approval. Amendments to the approved terms of reference will be approved by Council.

14. APPROVAL OF THE TERMS OF REFERENCE

The terms of reference of the Committee is endorsed by the Fraud- and Risk Committee and approved by Council.