



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

# INTEGRATED GOVERNANCE REPORT 2018



Making progress possible. Together.



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## THE PROBITY PORTFOLIO AND THE INDEPENDENT ASSURANCE PROVIDERS

The organisational macrostructure that took effect on 1 January 2017 has introduced the Probity portfolio in the Office of the City Manager. The portfolio consists of Risk, Ethics and Governance, Internal Audit, Forensic Services and the Office of the City Ombudsman as independent assurance providers.

As a governance and assurance partner and advisor to management, the Probity portfolio and independent assurance providers are expected to add value to City operations and ensure resilience and professional excellence. Their mission is to provide insight and foresight, thereby turning governance into a key enabler of effective, equitable and sustainable service delivery.



### **Risk, Ethics and Governance (REG)**

REG functions are assigned in terms of section 62(1)(c)(i) of the Municipal Finance Management Act, Act 56 of 2003 (MFMA). REG delivers an integrated risk management and ethics function to the City.

### **Internal Audit (IA)**

IA is a requirement in terms of section 165 of the MFMA and is largely directed by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing ("Standards"). IA provides independent, objective assurance and improves the City's operations. IA provides independent, objective assurance and advisory services designed to add value and improve the City operations. Their services help the City to accomplish its objectives by bringing about a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

### **Forensic Services (FS)**

Section 67 of the Municipal Systems Act, 32 of 2000 (MSA) and various other legislative and legal imperatives underpin the establishment and operation of FS. Its aim is to fight fraud and serious economic crimes in the organisation.

### **Ombudsman (OCO)**

The OCO was established in terms of the Consumer Protection Act, Act 69 of 2008, which requires all suppliers to establish an alternative dispute resolution agency to address public complaints. The OCO investigates Capetonians' complaints about maladministration, injustice and poor service delivery in an impartial/neutral manner, and facilitates their resolution.



The King IV Report on Corporate Governance for South Africa ("King IV") defines **corporate governance** as the application of ethical and effective leadership by a governing body, which the King IV supplement for municipalities defines as the municipal council. Good governance outcomes include an ethical culture, good performance, effective control, and legitimacy.

The City is committed to implementing and institutionalising corporate governance, as it underpins everything the municipality does to deliver excellent services and achieve its strategic objective of being a well-run city. It is in this spirit that the City proactively contributed to the drafting of King IV as well as its municipal supplement. Probity and the independent assurance providers were also the key drivers behind the City's adoption of King IV on 5 December 2017, further demonstrating to internal and external stakeholders the City's commitment to good governance and a well-run, effective administration.

To strengthen good governance across the organisation, Probity and the independent assurance providers will continue facilitating seminars, training and awareness sessions to enable line management to embed the King IV principles in their daily operations. They also provide line management with recommendations on leading good governance practices throughout the year. These recommendations are aimed at improving corporate governance, risk management and internal controls at the City, and reducing the risk of fraud, corruption and maladministration.



**Each independent assurance provider within Probity has its own role and mandate to ensure and promote good and ethical corporate governance in the City:**

The overall purpose of **REG** is to provide the City with an efficient, integrated risk management, combined assurance, ethics and integrity service, as well as a robust business continuity management function. REG plays a particularly important part in protecting, nurturing and enhancing a culture of ethics at the City. It has overall responsibility for facilitating the implementation of the City's Ethics Action Plan and associated programmes and practices to institutionalise ethical behaviour across the City.

The mandate of **IA** is to provide assurance and advisory services regarding the City's risk management, control and governance processes, as designed and represented by management, and to ensure that these are compliant, adequate and functioning effectively.

**FS** is mandated to investigate allegations of fraud, corruption and other criminal activity, maladministration and/or negligence. It also drives, develops and/or ensures the implementation of proactive anti-fraud/corruption policies and prevention measures throughout the City.

The mandate of the **OCO** is to protect City stakeholders against injustice, poor service or maladministration. The Ombudsman's primary function is to ensure that complaints against the administration are effectively and efficiently addressed so that human rights are observed and respected, as enshrined in the Constitution.

These independent assurance providers issue reports aimed at improving the control environment. Report recommendations relate to mitigating identified risks, addressing control weaknesses, alleviating fraud and corruption, and exploring alternative dispute resolution mechanisms. The reports are issued to appropriate City stakeholders, including line management, directors, executive directors, the City Manager, Mayoral Committee (Mayco) members and the Executive Mayor. It is also envisaged that these reports would be submitted to the Executive Management Team (EMT) Governance and Risk Subcommittee, as well as the EMT itself for discussion and action.

Every quarter, the Office of the Portfolio Manager: Probity (PMP) issues an **integrated governance report** to the City Manager, the Executive Deputy Mayor and Executive Mayor. The report provides a summary of the independent assurance providers' activities in the preceding period, including the key governance issues identified and management's progress in addressing these.

All the independent assurance providers also submit **quarterly reports** to the Audit and Performance Audit Committee (APAC), highlighting key governance issues and emerging risks identified. These reports include functional and administrative performance against key operating indicators and targets. In the 2018/19 financial year, the independent assurance providers will be required to report to both the EMT and APAC every quarter. In addition, the PMP issues a biannual report to APAC that summarises the work done in respect of good governance.

Finally, an **annual integrated report on governance, risk and internal controls** is compiled and issued to stakeholders, including the EMT and APAC. This report provides the City leadership and governance structures with an overall opinion of the control environment based on the results of the independent assurance providers' work during the financial year.



## CITY'S LEADERSHIP AND OVERSIGHT BODIES

The City's administrative leadership consists of the City Manager, who is supported by the EMT, whose members are managers appointed in terms of section 57 of the Municipal Systems Act and report directly to the City Manager.

The City Manager is ultimately accountable for risk management, governance and internal controls, and for the institutionalisation of good corporate governance and ethics in the City. Setting the tone from the top, the City Manager promotes accountability, integrity and other ethical values to create a positive control environment and instil a culture of ethics.

The PMP reports directly to the City Manager on all governance matters, highlighting key outcomes from the independent assurance providers' work in quarterly integrated reports. The objective of the quarterly reports is to provide the City Manager, Executive Deputy Mayor and Executive Mayor with a consolidated view of governance issues identified by the independent assurance providers, as well as management's progress in addressing these.



As elected public representatives, Council members and committees are accountable to the public. Therefore, Council too takes an interest in Probity and the independent assurance providers' services to the extent necessary to obtain reasonable assurance that risk, governance and controls are properly integrated and institutionalised in the City's business activities and culture.

In line with legislative requirements, the City has established governance committees such as APAC, the Risk Committee (RiskCo) and the Municipal Public Accounts Committee (MPAC), all of which are mandated with oversight functions relating to and ensuring good governance practices.

The independent assurance providers report administratively to the PMP. IA, FS and the OCO have a functional reporting line to APAC, who is accountable for independent oversight of governance, risk and internal controls in the City. This direct reporting line to APAC is required to ensure the independence and objectivity of these functions and prevent undue influence from line management in reporting on key governance issues in the City. REG, in turn, reports functionally to RiskCo on risk matters. RiskCo, which consists of the EMT and is chaired by the PMP, discusses and takes decisions regarding the City's key risks.



## **APAC**

Section 166 of the MFMA requires each municipality to have an audit committee. The audit committee is an independent body that must advise the municipal council, political office-bearers, accounting officer and municipal management staff on a range of matters. These include internal financial control and internal audits, risk management, accounting policies, the adequacy, reliability and accuracy of financial reporting and information, performance management, governance, compliance with the MFMA, the annual Division of Revenue Act and other applicable legislation, performance evaluation, and any other issues referred to it by the municipality.

In addition, in terms of regulation 14(2)(a) of the Municipal Planning and Performance Management Regulations, a municipality must annually appoint and budget for a performance audit committee. Regulation 14(2)(c), in turn, enables a municipality to utilise any audit committee established in terms of other applicable legislation as its performance audit committee.

In October 2016, Council resolved (C16/10/16) that the functions of the Audit Committee and the Performance Audit Committee be merged to form the Audit and Performance Audit Committee.

## **RISCKO**

The City Manager has established RiskCo to provide an appropriate forum and governance structure to help the City Manager and management discharge their risk management responsibilities. It is also intended to provide an enabling environment for the City to comply with laws, regulations and recognised governance frameworks.

## **MPAC**

MPAC performs an oversight function on behalf of Council by considering and evaluating the annual reports of the City and its municipal entities. Moreover, it investigates unauthorised, irregular, fruitless and wasteful expenditure relating to the City and its municipal entities in terms of sections 32 and 102 of the MFMA.

## OUTCOMES OF ASSURANCE ENGAGEMENTS

Engagements performed by the independent assurance providers are based on the priorities and risk profile of the City. The assurance providers' performance in this regard is monitored via the Service Delivery and Budget Implementation Plan (SDBIP), which includes key performance indicators (KPIs), as required by the Municipal Systems Act. One of the KPIs is the percentage of approved audit engagements/investigations/risk registers completed. In the reporting period, each independent assurance provider exceeded the targets by completing more engagements than planned:

Independent assurance provider	Target	Actual
IRM (within REG)	210	323
Ethics (within REG)	20	22
IA	80	92
FS	150	161
OCO	500	520

The outcomes of these engagements are reported to the appropriate stakeholders so that they can take the necessary action to address the key issues identified. A summary of the outcomes of engagements completed in 2017/18 follows on the next few pages.

## Summary of engagement outcomes - IRM (within REG)

IRM's core mandate is to help the City identify risks that should be mitigated so as to achieve the organisational objectives.

**323** risk registers were completed across the City in 2017/18, and the corporate risk register was updated and signed off.

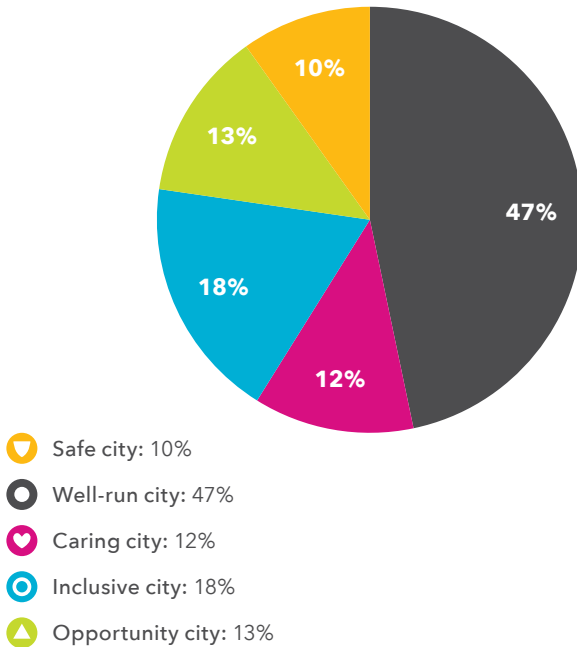
The matrix of risk and contributing-factor categories on the following page indicates which of the 12 risk categories at executive and departmental level were affected most by the 18 contributing-factor categories.



Contributing factor category	Risk category												Grand total
	Assets	Compliance	Environmental	Ethics and corruption	Financial	Human capital	Knowledge and information	Operations	Reputation	Safety and security	Service delivery	Social/ socio-economic	
Authority/structure /mandate	1	6	-	2	1	3	2	29	10	1	16	1	72
City dependency	2	20	2	2	24	7	22	44	10	2	19	2	156
Compliance	13	46	3	3	12	2	1	22	8	4	9	2	125
Economy	-	-	1	5	15	-	-	2	-	3	1	-	27
Environment	-	7	23	-	7	-	-	3	3	5	10	3	61
External stakeholders	3	14	10	5	34	5	2	24	14	19	44	4	178
Health, safety and security	4	4	1	-	8	1	-	9	3	34	4	4	72
Infrastructure	13	2	1	-	9	1	1	4		2	12	4	49
IT systems	-	-	-	-	5		21	13	1	1	5	1	47
Leadership	1	3	2	4	3	1	2	13	5	1	10	1	46
Maintenance	7	-	2	-	-	-	-	1	-	-	2	-	12
Monitor, review and reporting	-	2	1	-	-	-	1	4	2	-	2	-	12
Planning	6	10	1	-	19	-	-	16	6	-	35	-	93
Processes and procedures	4	45	2	7	30	22	6	89	15	1	54	3	278
Resources	37	16	2	3	69	65	10	59	20	15	68	3	367
Social	-	1	1	1	4	-	-	-	-	4	5	7	23
Unethical behaviour and criminal activities	3	2	-	18	2	1	2	4	1	14	7	3	57
Urbanisation	2		2	-	9	-	-	3	-	3	13	2	34
Grand total	96	178	54	50	251	108	70	339	98	109	316	40	1 709

A large number of risks (or contributing factors) are not necessarily indicative of a problem. Ultimately, it merely shows that risks and contributing factors have been identified and are being managed appropriately. The reason for risk categorisation is to cluster risks and highlight overarching areas that may not have a huge impact on their own, but could collectively have an adverse effect on the City's strategic objectives.

The graph below depicts the percentage of identified risks (executive and departmental) linked to the City's IDP strategic focus areas:

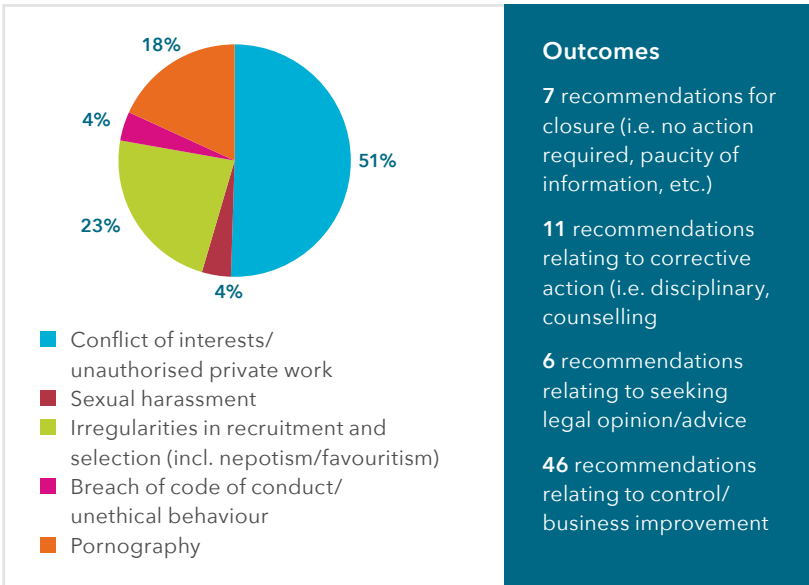


## Summary of engagement outcomes - Ethics (within REG)

The core mandate of Ethics is to drive processes that protect, nurture, enhance and institutionalise a culture of ethics at the City, including investigating allegations of unethical behaviour and facilitating the implementation of the City's Ethics Action Plan and associated programmes and practices.

**22 ethics investigations were completed in 2017/18.**

The following chart shows both a summary and categorised breakdown of ethics matters addressed in the period 1 July 2017 to 30 June 2018:



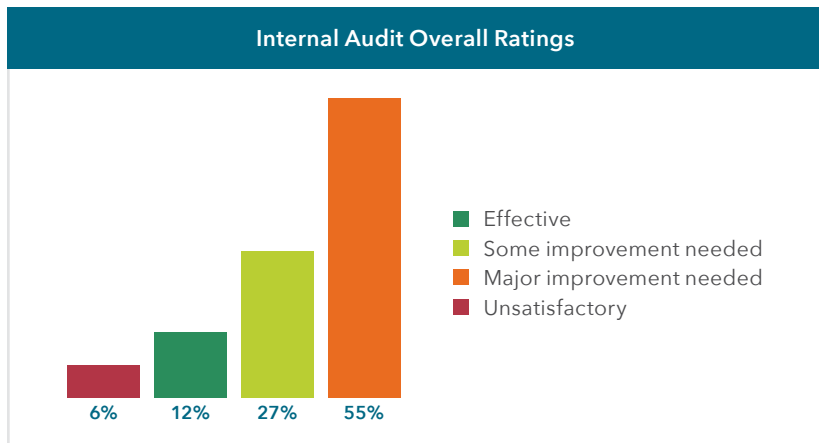


## Summary of engagement outcomes - IA

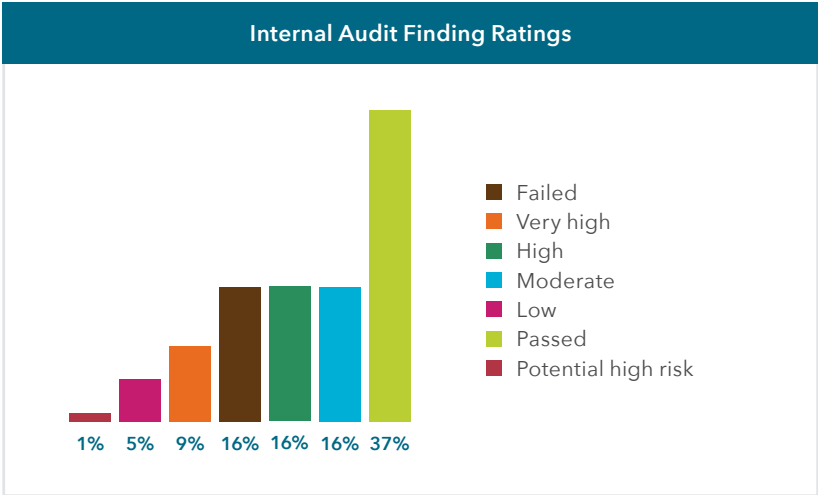
The IA core mandate is to provide assurance and advisory services with regard to the effective functioning of risk management, governance and internal controls.

**92** audit engagements were completed in 2017/18, of which 33\* were assurance engagements.

A graphic representation of the outcomes (i.e. opinions and findings) of the 33 assurance engagements completed follows below:



\* Limited to deliverables where components and principles of COSO (i.e. the Committee of Sponsoring Organisations of the Treadway Commission Internal Control Framework) are linked to audit opinions. Audit opinions are generally provided for assurance projects only, so the deliverables considered exclude advisory results. Other exclusions relate to engagements such as follow-ups and four category EEEE engagements, which are accounted for under the assurance deliverables, but, due to their nature and methodology, no audit opinion is given and related conclusions are reported to APAC as required in terms of the relevant methodologies.



An analysis of the detailed IA findings in the above assurance reviews revealed the following key concerns:

- A lack of policies and procedures, and the inadequacy of existing policies and procedures (36%)
- A lack of management review and supervisory checks (67%)
- A lack of supporting evidence/information/records management processes (48%)
- Resource/capacity constraints and a lack of skills (9%)
- A lack of communication/collaboration (12%)
- A lack of reconciliation between various information sources as part of the verification process (9%)
- A lack of monitoring activities (39%)



Below are the key areas where the above concerns were primarily identified:

- Performance management in respect of monitoring and reporting on the corporate indicators of:
  - percentage capital budget expenditure (Supply Chain Management and Transport and Urban Development Authority);
  - the number of public Wi-Fi locations;
  - Expanded Public Works Programme (EPWP) job opportunities created; and
  - the number of deeds-of-sale agreements signed.
- Information systems, namely the Emergency Policing and Incident Command (EPIC) and SAP (the City's enterprise resource planning software solution) functional modules that support transactions relating to revenue (master data), finance (asset accounting and manual journals), human resources (leave and payroll), supply chain management (inventory and procurement), utilities billing (water and sanitation) and fleet management (electricity, water and corporate).
- Change management relating to telecommunications (broadband), corporate systems patch management and identification/access management.
- Business processes relating to staff deployment by Safety and Security, installation of water management devices by Water and Sanitation, infrastructure asset life cycle management by Water and Sanitation, response to queries and complaints by Water and Sanitation, service/helpdesk (SAP and Information Systems and Technology).

## Summary of engagement outcomes - FS

The City has zero tolerance for fraud, corruption and other criminal activity, maladministration and/or negligence. FS thoroughly investigates all such complaints and, where appropriate, refers matters to the South African Police Service (SAPS).

**161** FS investigations were completed in 2017/18, of which 83 were full investigations.

In terms of the 83 full investigations, the type of allegations investigated and reported on is summarised below:

- Alleged irregularities relating to contracts, operations, overtime, supply chain management (requests for quotes and tenders), recruitment and selection, awarding of bursaries
- Alleged electricity meter tampering
- Alleged fraudulent activities, including misrepresentation of qualifications, misrepresentation by a service provider
- Alleged soliciting of bribes or payment of bribes to City officials
- Alleged theft
- Alleged poor workmanship
- Alleged illegal construction of building by City employee

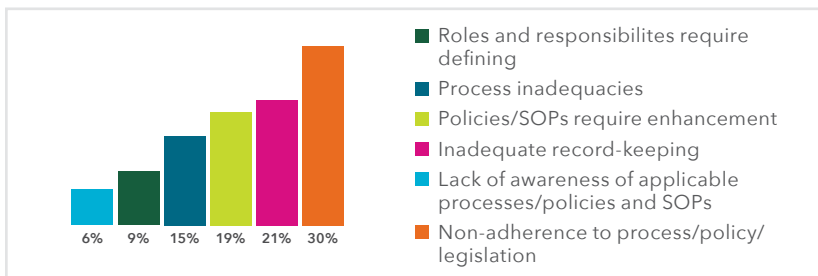


A breakdown of the outcomes of these investigations is as follows:

Outcomes of 83 full investigations: Recommendations ...	Number
... for closure (i.e. no action required, paucity of information, etc.)	26
... relating to reporting to SAPS (criminal investigation)	9
... relating to reporting to the Competitions Board	3
... relating to corrective action (i.e. counselling/disciplinary)	23
... relating to control/business improvement	24
... relating to blacklisting of service providers	5
... relating to reporting to Legal	13
... relating to recoveries	6
... relating to reporting to Council	2
... relating to outsourcing investigations	1
... relating to reporting to authorities other than SAPS or Competitions Commission	1

In addition, the City is committed to ensuring that opportunities for fraud, corruption and other criminal activity, maladministration and/or negligence are reduced as far as possible. In this regard, FS assists by identifying and reporting on prevalent control issues in the course of investigations.

**Control issues** were identified in 39 of the 83 full investigations completed in 2017/18. These issues are categorised and broken down by percentage below:



## Summary of engagement outcomes - OCO

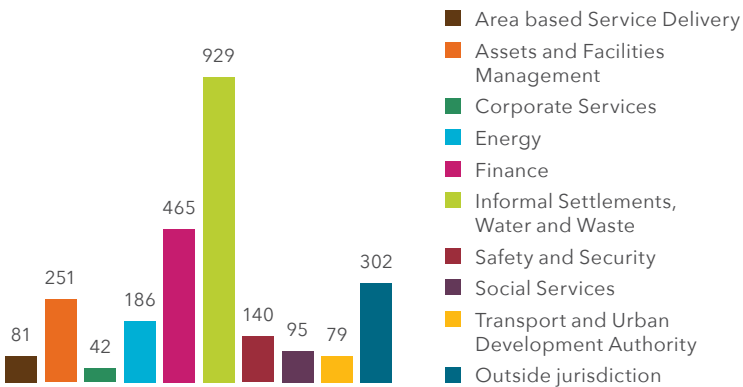
The Ombudsman's core responsibility is to serve as a mechanism for Cape Town residents to formally lodge complaints against alleged acts of maladministration.

**520 OCO investigations were completed in 2017/18.**

The outcomes and associated financial impact are reflected below:

	Number	Rand value
Findings (in favour of the City)	346	R4 509 192
Recommendations (in favour of the complainant)	180	R4 933 233

### Complaints lodged against City directorates 2017/18



The majority of complaints received related to:

- **water consumption disputes** as a result of water restrictions during the drought;
- the installation of **water management devices (WMDs)**, with complaints varying from the lack of communication from the City on formal applications for an increased supply, allegedly defective WMDs, the City's failure to provide allocated water in the morning, and inaction by the City when complaints were logged;
- **electricity meter tampering**; and
- negotiating sustainable **payment arrangements** with the City as a result of financial difficulties experienced by consumers.



## **CITY'S CONTROL IMPROVEMENTS FOR 2017/18**

The City monitors improvements in its control environment through various mechanisms. These include formal reporting on the status of the control environment by Probity and the independent assurance providers, as well as the inclusion of key performance indicators on the executive directors' personal scorecards and directorate SDBIPs. Key control improvements introduced in 2017/18 include the following:

### **Annual integrated report on governance, risk and internal controls**

An annual integrated report on governance, risk and internal controls was issued to stakeholders such as the EMT and APAC. Based on the results of work performed by Probity and the independent assurance providers during the financial year, the report provided the City leadership with an overall opinion of the control environment, indicating some improvement needed and the control areas that needs to be enhanced.

### **Corrective actions taken stemming from assurance provider engagements**

After each engagement by Probity and the independent assurance providers, a report is issued to the relevant line manager. This report contains recommendations to help mitigate identified risks, address control weaknesses, alleviate fraud and corruption, and explore alternative dispute resolution mechanisms. Ultimately, the recommendations are made to improve the control environment, so monitoring their implementation is crucial.





For this purpose, the key performance indicator “Percentage Probity function recommendations implemented” was introduced to measure progress with the implementation of the independent assurance providers’ recommendations. The indicator is being phased in. In 2017/18, measurement was limited to the recommendations of IA, FS and Ethics. In 2018/19, the recommendations of IRM and OCO has been included as well. Performance for 2017/18 is illustrated in the following table:

Directorate	Total recommendations	Recommendations implemented	% recommendations implemented	Target
Area-Based Service Delivery (ABSD)	2	2	100%	75%
Assets and Facilities Management (AFM)	62	54	87%	
Corporate Services (incl. ex Directorate of the Mayor)	191	149	78%	
Energy	35	31	89%	
Finance	185	173	94%	
Informal Settlements, Water and Waste Services (ISWWS)	85	68	80%	
Office of the City Manager	0	0	N/A	
Office of the Speaker	0	0	N/A	
Safety and Security	20	18	90%	
Social Services	35	32	91%	
Transport and Urban Development Authority (TDA)	59	44	75%	
Total	674	571	85%	

The results in respect of this KPI are reported to the relevant oversight bodies to ensure that the responsible officials are held accountable and that timely and appropriate actions are taken.

## Percentage IA findings resolved

At present, only IA verifies the implementation status of its recommendations through a formalised follow-up process. FS and Ethics do so through evidence-based feedback from line management. IA's follow-up audits are done to determine whether corrective actions agreed to by line management stemming from previous audits have been adequately implemented. The results of follow-up audits are used every quarter to measure the key performance indicator "Percentage Internal Audit findings resolved" for the various directorates. As at 30 June 2018, directorates had achieved an average of 83% on this indicator, against a target of 75%, pointing to improvement in the City's control environment.

Directorate	Number of findings			Cumulative % IA findings resolved per directorate
	Original audit	Recurring	Resolved	
ABSD	N/A			
AFM	54	8	46	85%
Corporate Services	102	34	68	67%
Directorate of the Mayor	N/A			
Energy	33	4	29	88%
Finance	124	12	112	90%
ISWWS	41	6	35	85%
Safety and Security	N/A			
Social Services	17	1	16	94%
TDA	39	6	33	85%
Total	410	71	339	83%

## Percentage declarations of interest completed

City employees are expected to perform their functions in good faith, diligently, honestly and in a transparent manner. As part of this, and in line with the City's standard operating procedure relating to private work and declaration of interest, all employees at management levels 1 to 4 as well as supply chain management-conflicted employees are required to complete a declaration of interest every financial year. These two compliance categories directly affect the City's external audit, as 100% compliance is required by year end. Furthermore, the City Manager Directive 19 of 2015 requires all other City employees (i.e. post levels T5 and above) to complete a declaration of interest every financial year. The overall compliance statistics in respect of declarations of interest completed as at 30 June 2018 are reflected below:

As at 30 June 2018	
Declaration of interest for City (T5 and above)	77% (target 100%)
City management levels 1-4	100% (target 100%)
SCM-conflicted employees on the City's database	0 (target 0)

The breakdown by directorate is as follows:

Directorate	Completion % for level T5 and above	Completion % for management levels 1-4	SCM-conflicted staff on City's database
ABSD	99%	100%	0
AFM	99%	100%	0
Corporate Services	99,9%	100%	0
Energy	75%	100%	0
Finance	100%	100%	0
ISWWS	33%	100%	0
Office of the City Manager	100%	100%	0
Safety and Security	78%	100%	0
Social Services	99,9%	100%	0
TDA	61%	100%	0
Overall City compliance	77%	100%	0

## **ASSESSMENT OF INDEPENDENT ASSURANCE PROVIDERS**

One of the initiatives described in the Probity Plan is to provide reasonable assurance on the work performed by independent assurance providers by:

- assessing the independent assurance providers' conformance with relevant professional bodies and leading practices;
- evaluating the independent assurance providers' efficiency and effectiveness in carrying out their mission as stated in their mandates and expressed in the expectations of City management; and
- identifying opportunities to enhance the independent assurance providers' management and work processes, as well as their value to the City.

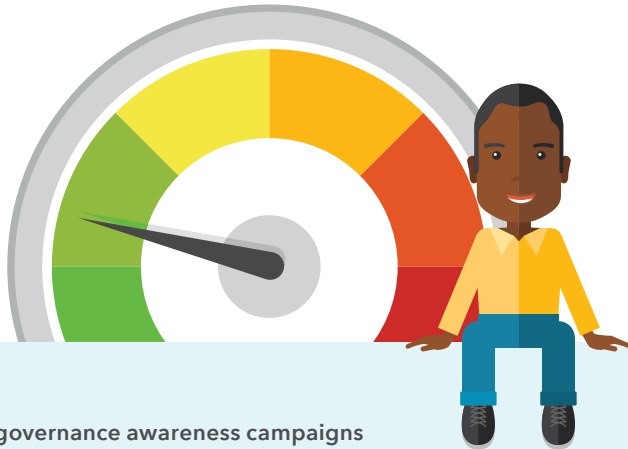
According to the Auditor-General of South Africa (AGSA) in its assessment of the City's assurance providers for 2017/18, APAC and IA provided assurance while maintaining their independence and effectively executing their respective mandates in line with the principles of good corporate governance. These independent assurance providers are encouraged to continue supporting the City in identifying the root causes for the issues identified and reported on by the AGSA.



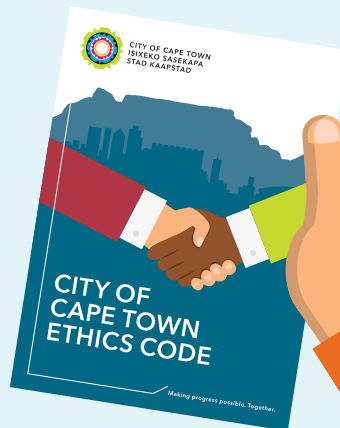
## CITY'S KEY GOVERNANCE INTERVENTIONS AND ENHANCEMENTS

The City is committed to the highest level of good and effective corporate governance. To this end, Probity and the independent assurance providers were established to promote good governance and improve operational sustainability across the administration. Some of the key governance interventions embarked on by the City and driven by Probity and the independent assurance providers in 2017/18 included the following:

- **Driving Council's adoption of the King IV Report** on 5 December 2017. Council resolved that the initiatives set out in King IV should be incorporated into the City's policies and procedures to embed ethics into the daily operations of the administration and promote ethical behaviour and leadership.
- **Developing a draft consequence management policy and framework** for the City. The document formalises and consolidates the principles of consequence management, accountability and responsibility for, inter alia; non-compliance, financial misconduct, misconduct and code-of-conduct/ethical dilemmas, including remedial and recourse measures. This was to address shortcomings in consequence management identified by the AGSA as per the management report of 30 June 2018.
- **Assisting with the drafting of terms of reference for the Financial Misconduct Board.** The board serves as an independent advisory body that assists designated officials/persons with investigations into alleged financial misconduct, as required by the Municipal Regulations for Financial Misconduct Procedures and Criminal Offences. Council subsequently adopted the terms of reference in July 2018.



- **Running governance awareness campaigns and training sessions** across the City.
- **Reporting on integrated governance interventions/projects and their outcomes** to City leadership.
- **Introducing a key performance indicator** that measures the percentage implementation of Probity and independent assurance providers' recommendations, enabling monitoring and reporting improvements to the control environment.
- **Updating the City's Ethics Code** to reflect the City's aspirations towards ethical and effective leadership and ethical governance. Council adopted the updated Ethics Code in July 2018.



A further testament to the City's commitment to good governance is the City Manager's active role in setting the tone from the top. For instance, the City Manager issues memorandums to relevant executive directors, holding them accountable for the implementation of recommendations by Probity and the independent assurance providers, and emphasising the need for remedial and corrective action.

- **King IV:** Enabling line management to embed King IV principles in their daily operations through seminars, training and awareness sessions. Probity and the independent assurance providers will host a leadership conference in April 2019, where various keynote speakers will be invited to present on governance topics such as consequence management, ethics and ethical leadership, and how good governance can enable effective service delivery.
- **Institute of Directors in Southern Africa (IoDSA):** Securing professional membership of IoDSA for key City officials. IoDSA is responsible for the launch and release of the King reports or codes for corporate governance, with the latest being King IV, which was launched on 1 November 2016.
- **Consequence management:** Continuing to roll out and embed consequence management in the City, including the finalisation and adoption of the consequence management policy, framework and standard operating procedure by Council. The planned completion date is June 2019, when Council approval is anticipated.



Probity and the independent assurance providers will continue their role as trusted assurance partners and advisors to help embed good governance in the City's daily operations, thereby enabling effective, equitable and sustainable service delivery. Future governance enhancements to be facilitated and driven by Probity and the independent assurance providers include the following:

- **Financial Misconduct Board (FMB):** In November 2018, the existing board members were reappointed for a three-year period, and the chair of the board rotated. The City Manager referred matters stemming from the AGSA report as well as the Bowman Gilfillan investigation report (October 2018) to the FMB for assessment and potential investigation. Further attendance of Provincial Treasury workshops is anticipated to provide input to the provincial guidelines being compiled to stipulate the duties of the FMB, reporting timeframes, and general guidelines for other municipalities.
- **Percentage Probity recommendations implemented:** Rolling out this key performance indicator to directorate level in 2020/21. This will further embed responsibility and accountability for the implementation of recommendations by Probity and the independent assurance providers, and for the associated remedial actions to address control deficiencies.
- **Cybersecurity risk/maturity framework:** Finalising the information and communications technology (ICT) risk management framework and incorporating it into the broader integrated risk management process.





- **EMT Governance and Risk Subcommittee:** This subcommittee was established in September 2018 with the PMP as chair, and meetings have been held since. The purpose of the committee, as defined in its approved terms of reference, is to provide advice to the EMT on oversight and governance processes as well as the effectiveness of risk management in specific areas. The committee considers and discusses key governance and risk issues identified and reported on, and determines whether there are any significant issues that requires the EMT's special attention or further deliberation. The secretariat for the EMT Governance and Risk Subcommittee is situated in the Office of the PMP.



- **Governance framework:** Finalising the governance framework to provide a single governance document for an integrated approach to risk management. The framework will replace the current Integrated Risk Management (IRM) Policy and Framework, Combined Assurance (CA) Policy and Framework, as well as the Business Continuity Management (BCM) Framework. The City has taken a number of steps to reinforce a culture of ethical and disciplined risk-taking, which are also detailed in the proposed governance framework.
- **Combined assurance:** Finalising the standard operating procedure for combined assurance to operationalise the governance framework, including the 2018/19 implementation plan.
- **Business continuity management:** Finalising the standard operating procedure for business continuity management to operationalise the governance framework.
- **Advocacy and awareness campaigns:** Continuing with campaigns to raise the City's awareness of Probity's mandate as well as the respective mandates of the independent assurance providers in respect of governance, risk and controls.



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