

**INSTITUTE OF DIRECTORS
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FOR

Ethekwini Municipality

Ansie Ramalho
30 July 2014



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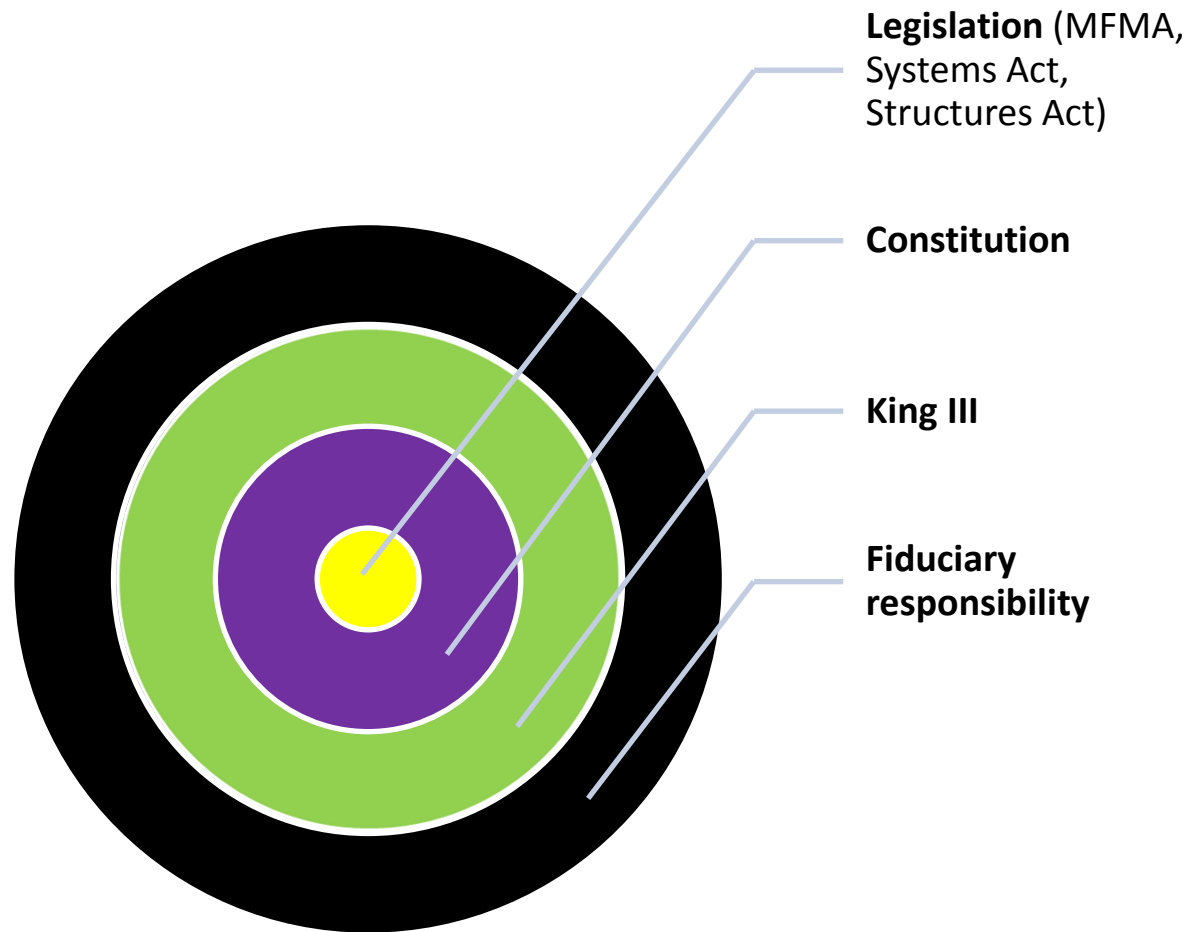
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THE AGENDA



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The landscape





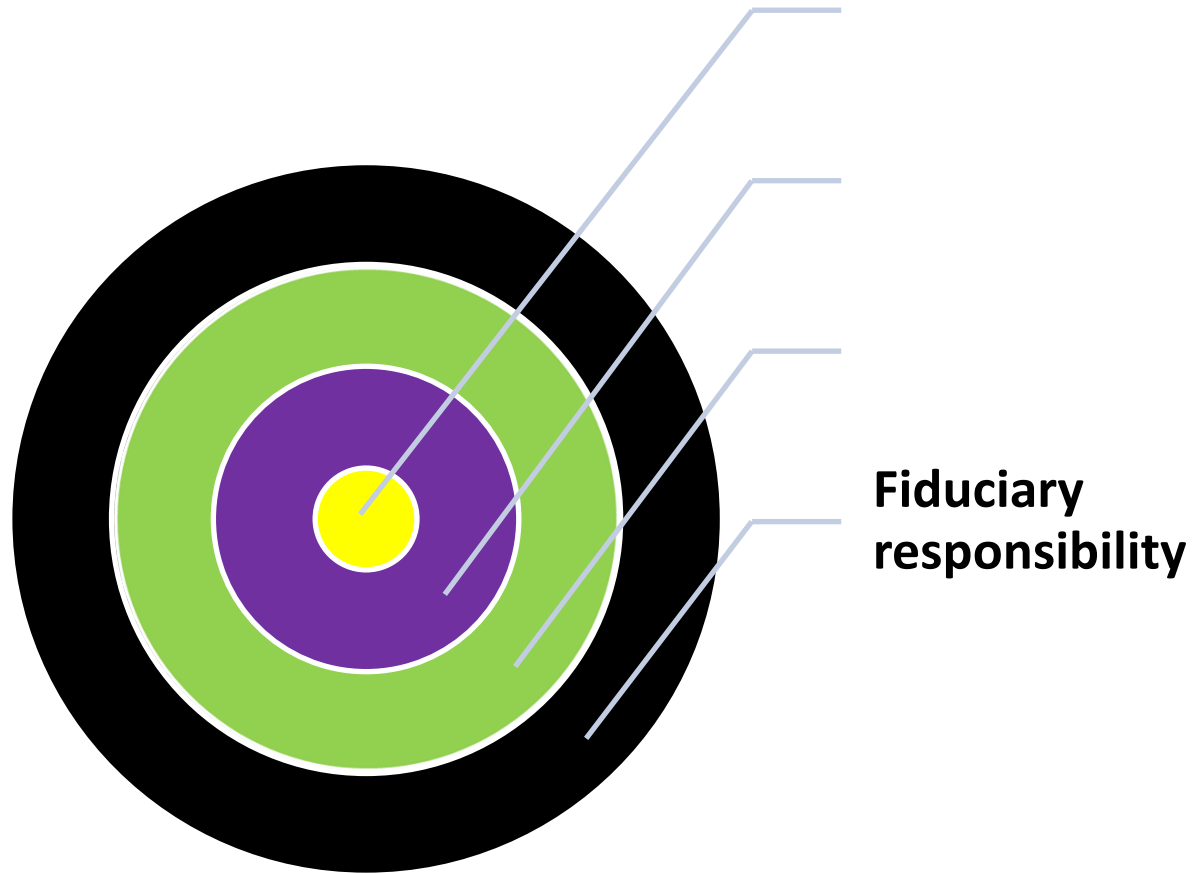
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Why do cars have breaks?



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The landscape





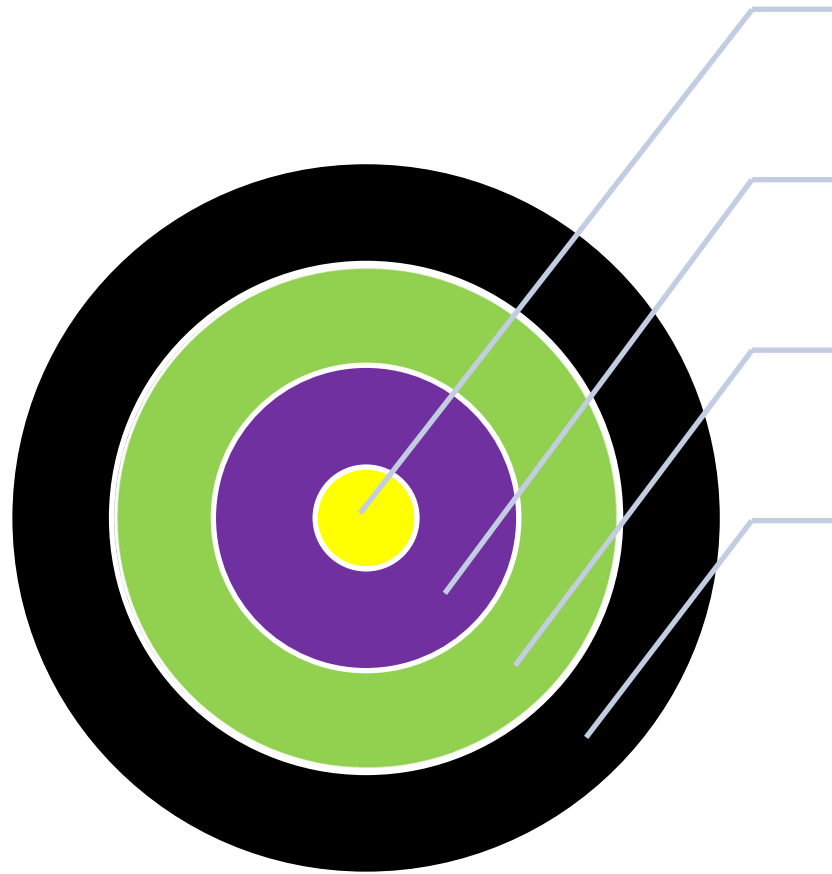
Fiduciary duties

- Roman law concept of pater familias
- *The directors of companies, being managers of other people's money than their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own.* (Adam Smith, The Wealth of Nations 1776)



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The landscape



King III

The governance evolution

- Limited liability entity
- Separation of ownership from control
- From managerial to directorial revolution
- FROM: The system by which entities are directed and controlled (Sir Adrian Cadbury Corporate Governance Overview, 1999, World Bank Report)
- TO: including relationships , behaviour, values and culture



Overarching governance principles

- Responsibility
- Accountability
- Fairness
- Transparency

- Discipline
- Independence
- Sustainability



Link between governance and law

- Stilfontein Gold Mining Case
- Duty of care of those charged with governance duties are interpreted by courts in accordance with reasonable man test



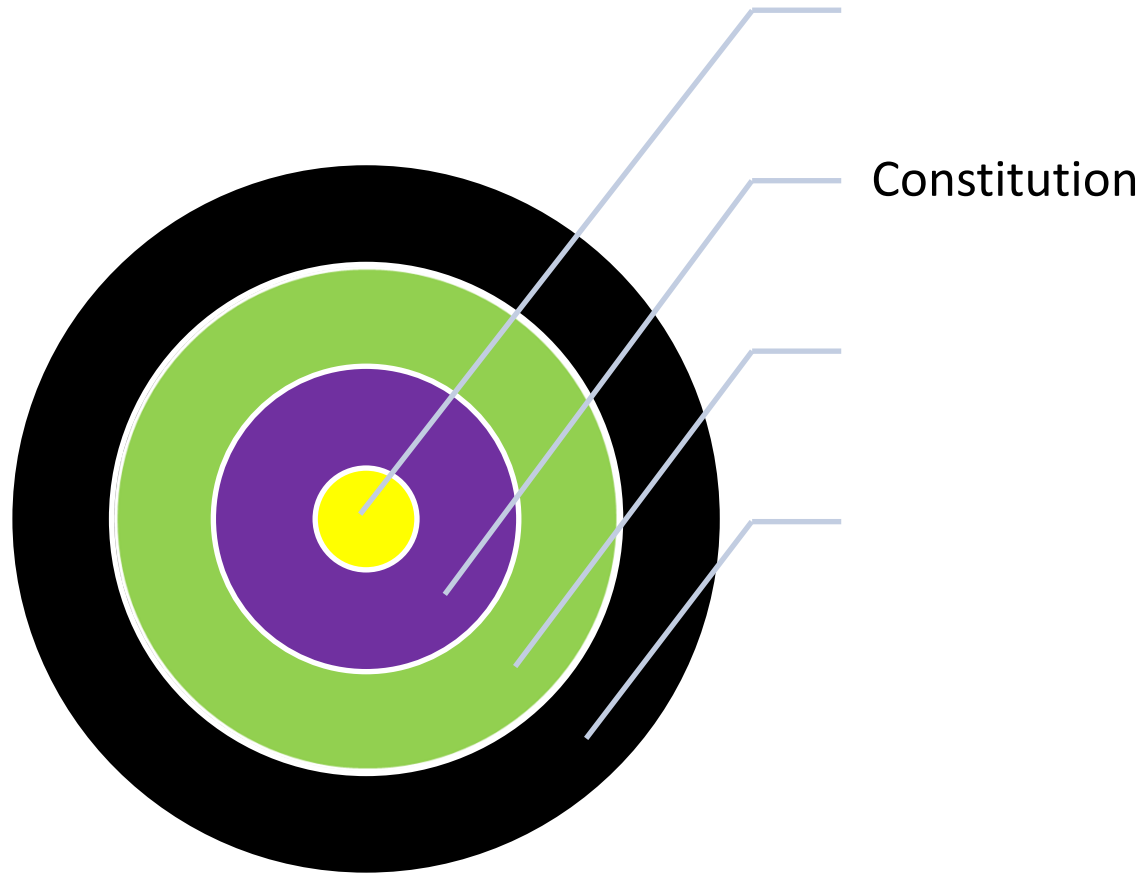
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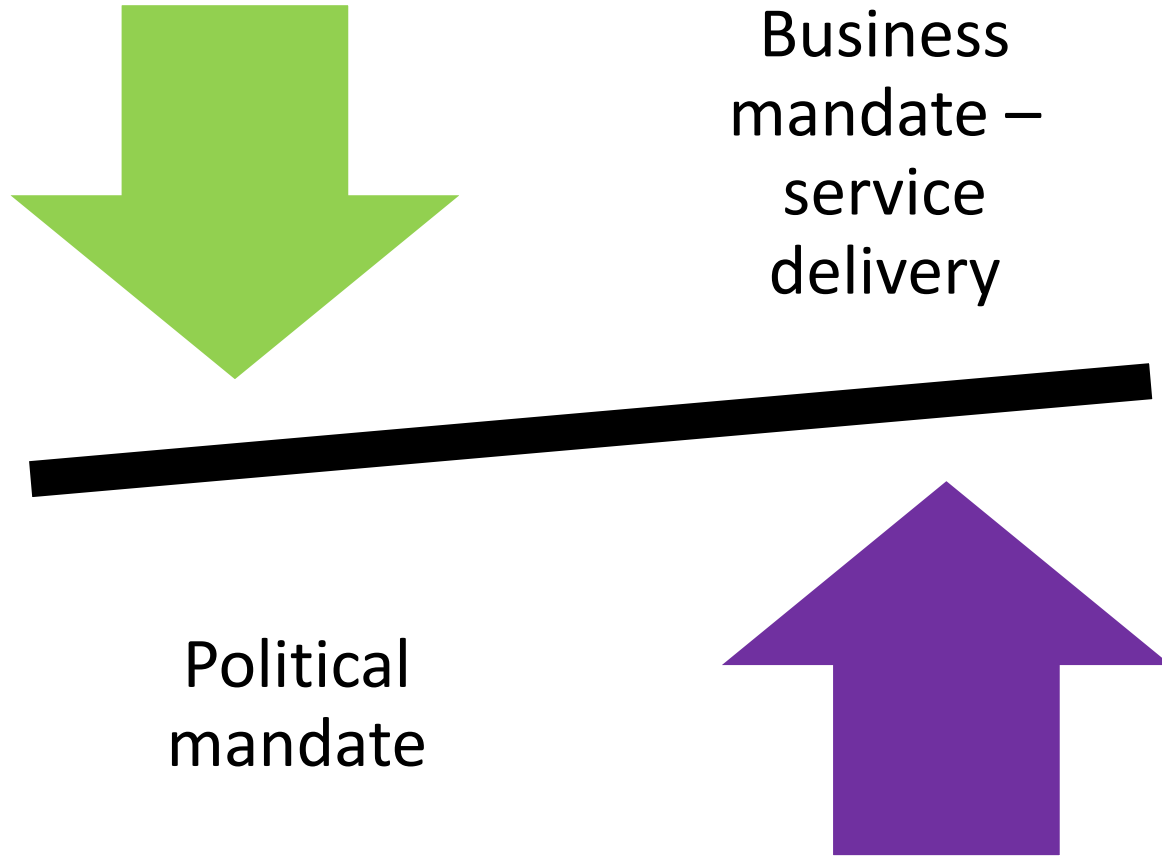


The WHY?

- S 152 of Constitution:
 - Provide democratic and accountable government
 - Ensure provision of services in sustainable manner
 - Promote social and economic development
 - Promote safe and healthy environment
 - Encourage involvement of community



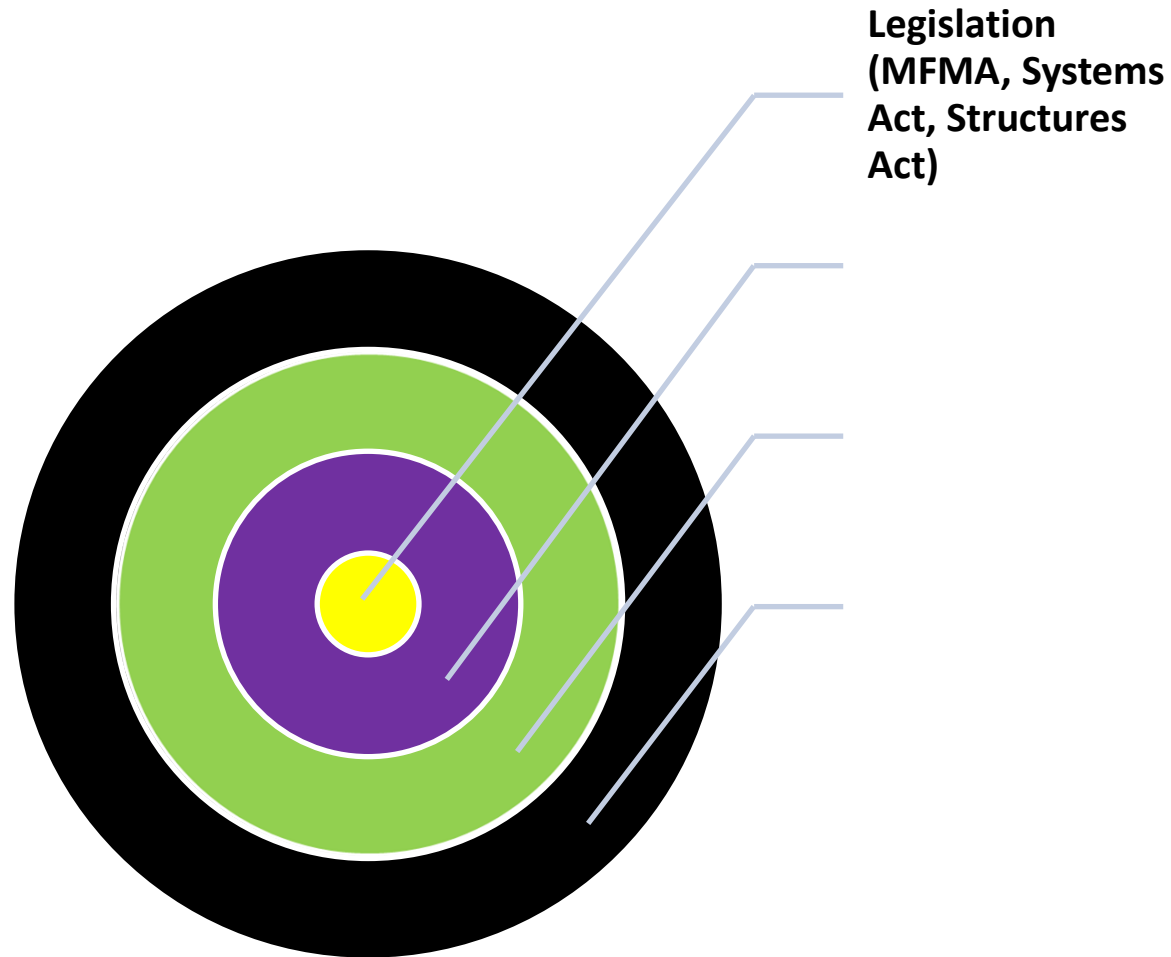
Balancing act



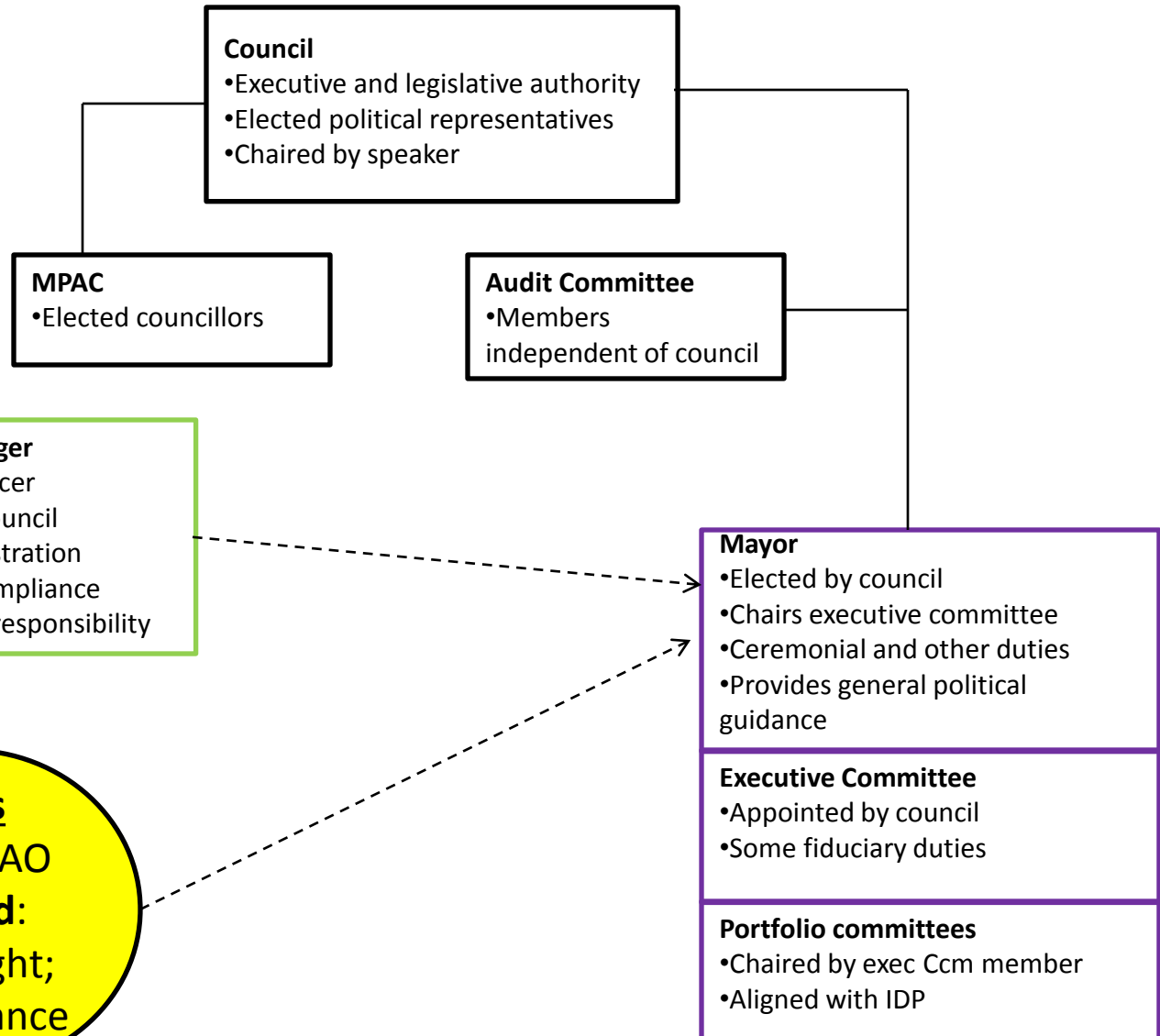


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Governance structures



Municipal manager

- Accounting Officer
- Appointed by council
- Head of administration
- Custodian of compliance
- Some fiduciary responsibility

MEs
CEO = AO
Board:
oversight;
compliance





Challenges

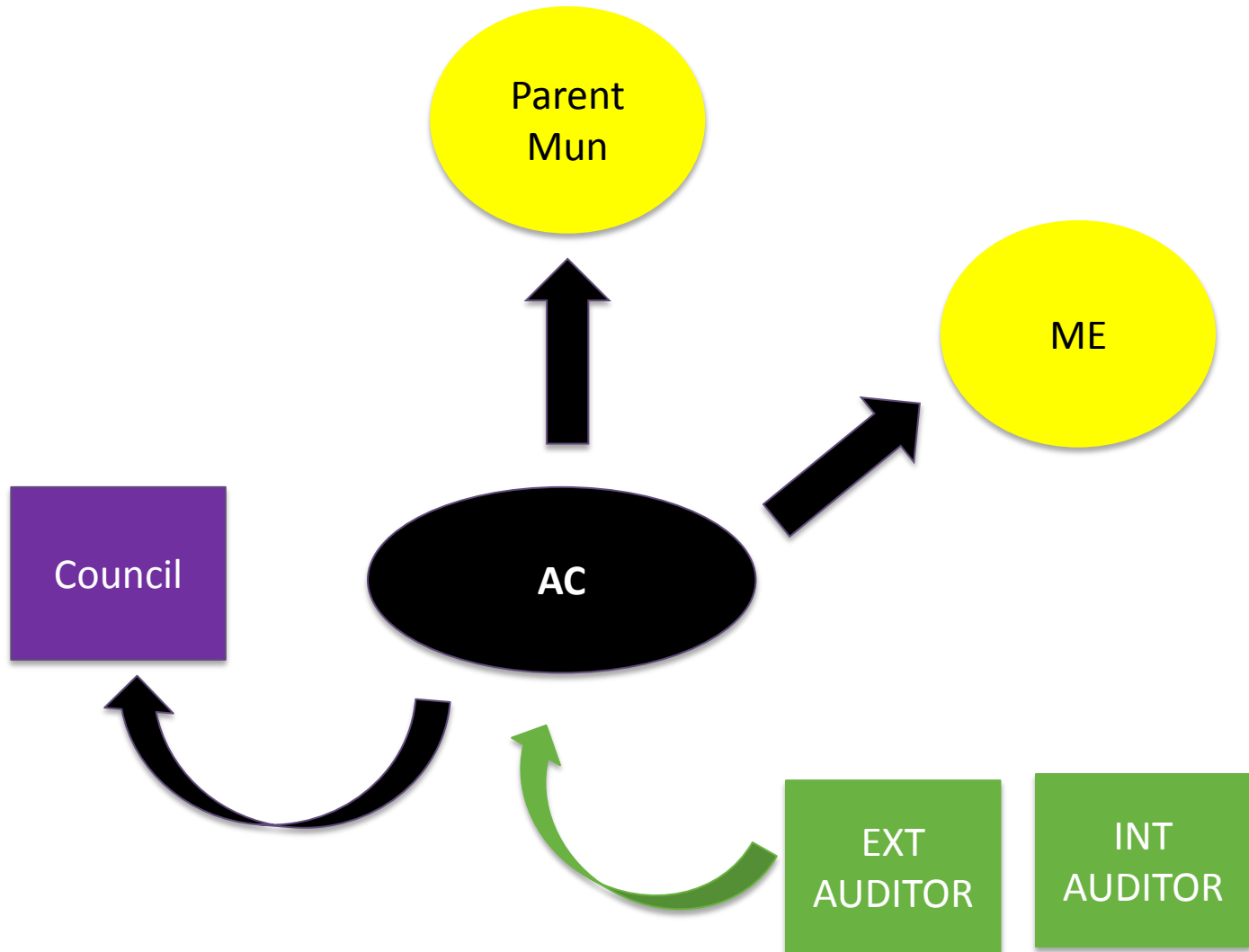
1. Where does the buck stop?
2. Distinctive roles
3. Effective independent oversight
4. Synergies
5. License to operate; building trust



Functions of council

- S 19 of Structures Act - to review annually:
 - Needs of community
 - Priorities to meet needs
 - Process for involving communities
 - Organisational and delivery mechanisms
- S 32 - may delegate except:
 - By-laws
 - Approval of budgets
 - Imposition rates, taxes, levies, duties
 - Raising loans
 - Approval of IDP

Audit committee as connector



MPAC

- *Effective oversight and accountability is largely dependent on distinctive roles for different structures and sub-components within council*
- *MPAC to assist council to hold executive and municipal administration to account and ensure effective and efficient use of municipal resources*
- Duties vis-à-vis audit committee (s 166 of MFMA)



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ON THE MENU ...



Considerations

- Role clarity
- Delegation of authority
- Risk management
 - Plan
- Audit committee
 - Going concern statement
 - Review of finance function
 - Internal audit
- Municipal Public Accounts Committee
- Synergies with MEs



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THANK YOU