



BREAKFAST SEMINAR

INTERNAL AUDIT AND RISK ASSURANCE SERVICES UNIT

SEMINAR 1: CULTIVATING GOOD GOVERNANCE IN THE ETHEKWINI MUNICIPALITY

30 July 2014

LEARNING NOTE: KEY LESSONS LEARNED FROM THE SEMINAR

Setting the scene by eThekweni leadership

In his opening address, City Manager Sbu Sithole outlined the main objectives of this historic seminar that epitomises the new culture of learning and sharing in the municipality. Framing his input from a developmental local government point of view, he argued for the need for upholding the principles of good governance. He hoped that through the seminar the tone was set for a new way of doing business, and that the powerful and dynamic speakers would inspire all participants to build on the new foundation.

The Honourable Councillor James Nxumalo in his Mayoral address welcomed all participants to the seminar noting the timing of the learning event which coincided with the call from the President to heed corporate governance and improve service delivery. In reflecting on the journey since 2011, Mayor Nxumalo noted the achievements made to date, including the best practices of eThekweni's MPAC that is being used as a yardstick for other South African municipalities. In addition, no qualified or adverse report has ever been achieved since its establishment in 2000, which is a testimony of good governance in the Council. At the same time, he noted that a capital spend of 105% indicates that service delivery has not been compromised.

Dr Claudelle von Eck

Urging leaders to take the quantum leap

Dr von Eck began by complimenting the leadership team for introducing an important conversation and urged that the seminar series continues. In focussing on leadership in the 21st century she contextualised her talk to include the broader African continent and challenged us to think about what our role is on the continent as the "bigger brother in the south". The decisions that are made in Africa she suggested will have a major impact on the globe.

Starting with the role of internal audit, she argued for ensuring that internal auditors are well trained and appropriately certified. Internal audit, she suggested was the guardian of good governance that needed to be held accountable.

She identified the key challenges of political instability which she warned could be a major threat; ensuring social stability due to the gap between the poor and the rich; dealing with economic instability; addressing the potential of ethnic and communal crises and increasing crime, and reversing the net capital flight that grips our economy. The issue of the inadequate preparation of leadership; rampant corruption, a lack of accountability and eroded professional standards and ethics she argued threatened the gains made over the years.

She made an impassioned plea for leaders to stand up and speak against the evil scourge of corrupt practices in our country, with reviving *ubuntu* as our ideological base. Our responsibilities go beyond ourselves to extending to others, to our entities, to society at large. This African humanism needs to be infused into our organisations, with a new spirit of caring and community, rather than merely a tick-box approach to governance. She postulated that there is a need for a new notion of responsibility that extends to others and is connected to nature.

She bemoaned that leaders are not unleashing their teams and embracing the art of leading from behind. Of course this requires high levels of maturity and understanding, and yet are critical for developing our organisations. The issue of crippling power struggles often prevent delivery and leaders are required to introspect and reflect on the extent to which they may be contributing to the challenge. Similarly, not having difficult conversations is part of our organisational culture and needs to be changed. Asking the right questions to ensure that there are no corrupt practices is critical, as history will be judging us later on. The issue of building vibrant learning communities that are committed to integrated decision making, she argued was fundamental to sustaining our organisations.

Dr von Eck identified the five “C’s” – capability, competency, competence, confidence and credibility each leading onto the next. To take this quantum leap required strategic objectives that are measurable, and risk being effectively managed and reporting to citizens embedded into the system.

Advocate Ansie Ramalho

Promoting corporate governance in municipalities: the buck stops with Council!

Beginning with a sufi story that highlighted the need for understanding context, she set the scene to promoting corporate governance, which is none other than effective leadership on an ethical foundation. Starting with fiduciary duties, she reminded us that this involved managing assets of others with the same anxious vigilance as they would their own. She then traced the governance evolution that separated ownership from control and moved from managerial to directorial emphasis. With time there was an evolution from the system by which entities are directed and controlled to one that focussed on relationships, behaviours, values and culture. The overarching principles that she spoke about included responsibility, accountability,

fairness, transparency, discipline, independence and sustainability – all of which hinge on the first principle of responsibility.

The link between governance and law was also highlighted using the case of the Stilfontein Gold Mine, which based on the King 2 report, showed that the reasonable direction in its duty of care needed to ensure environmental responsibility. The point was being made that courts are therefore beginning to take cognisance of corporate governance.

The constitution was reflected on as the cornerstone for municipalities that laid out their reason for existence. Practically this meant ensuring a balancing act between the political mandate and the business mandate which is service delivery and having the “why we exist” in mind was useful in navigating this terrain.

The issue of governance structures was outlined from the Council to MPAC to the Audit Committee and how these relate to the municipal manager and the political committees and the entities. In all of these however, the proverbial buck actually stops with the Municipal Manager. Whilst this may be the case however, in terms of common law, the Council does have fiduciary responsibilities. For effective governance, she argued that we needed to deal with the challenge of understanding what the distinctive roles of role players are, and ensuring that an effective independent oversight is played, and that there are synergies between the governance structures. The Audit Committee, she suggested was well positioned to play the role of connector between the various structures.

Moving forward, the following considerations were made:

- The need for exceptional role clarity
- A clear delegation of authority
- A workable risk management plan
- An effective Audit Committee
- Synergies between municipal entities and other governance structures

Three Key Discussion Points

On the interface between politics and administration

This is an important interface and we have to acknowledge that this takes time. We are still in our infancy in this regard, and what is required are courageous community leaders who are able to hold politicians accountable. If such a clear vision is not coming from leadership, then this must emerge from the middle.

The challenges of deployment of incompetent party loyalists

In response to questions from the floor in this regard, the speakers noted that South Africans appear to be concerned about this issue of non-competent management. They argued that we collectively need to hold people accountable and should not be complaining but must be prepared to do something. The City Manager however highlighted that deployment is an international phenomenon and not uniquely South African. For him, the challenge is around learning and development and ensuring that our leaders are delivering on the developmental local government mandate.

The need for breaking down silos

There is a need for a simple plan that all officials can follow, rather than work in their own separate silos. Similarly it was agreed that having over-regulation and red-tape can breed corruption and we must be guarded against this.

Moving Forward

In closing the City Manager thanked the speakers for their insights and urged all to build on the platform that we have; have more strategic sessions like this, and really work quickly to deliver on our outcomes given the enormous backlogs we face.