



Corporate Governance Report 2020

Introduction

The King IV Report on Corporate Governance contains the King IV Code which sets out recommended practices and principles. Corporate governance, for the purposes of King IV, is defined as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes: ethical culture, good performance, effective control and legitimacy.

Through application of the “apply and explain” approach to reporting, this report is aimed at assisting stakeholders in assessing the Board’s approach to corporate governance and application of the King IV practices and principles.

This report is for the period 1 April 2019 – 31 March 2020 and should be read together with the Board’s 2019/20 Annual Report as published on the Board’s website.

Ethical and effective leadership

The Board ensures that the Office of the Board’s conduct aligns with the entity’s values.

A Code of Conduct and processes are in place to ensure that there is alignment.

Members of the Board act ethically in line with the Code of Conduct and their fiduciary duties. The Board sets the tone for an ethical organisational culture and sets an example to staff members in the way they carry out their duties and operate in the best interest of the entity and its stakeholders.

Organisational Ethics

The Board assumes responsibility for the governance of ethics in line with the Code of Conduct. The Board has ensured that a Code of Conduct and ethics-related policies have been established and implemented.

The Code of Conduct clearly sets out ethical standards set by the Board. The Board ensures that compliance with the Code of Conduct is effectively integrated into the strategy and operations of the Office of the Board, i.e. the ethical organisational culture is reflected in the entity’s vision and mission, strategies and operations, decisions and conduct, and how it treats its internal and external stakeholders.

All areas set out in the Code of Conduct were focused on for the year under review.

The Board exercises ongoing oversight of the management of ethics in line with the Code of Conduct and will continue to assume responsibility for the governance of ethics in line with the Code of Conduct.

Corporate Citizenship

The Board assumes responsibility for corporate citizenship by setting the direction on how it should be approached and addressed by the Office of the Board. The Board ensures that the entity’s performance and its interaction with its stakeholders are guided by the Constitution, the National Gambling Act and the Western Cape Gambling and Racing Act.

The Board oversees that the entity's strategy, core purpose, values and conduct are in line with corporate responsibility.

The Board conducts its business taking into account the workplace, economy, society and the environment. The Board recognises that public confidence, trust, health, safety, general welfare and good order of the inhabitants of the Province are dependent upon the strict regulation of all persons, premises, practices, associations and activities relating to gambling and racing. It is also recognised that opportunities for gambling and racing entail particular risks and dangers to the inhabitants of the Province, which justify the imposition of appropriate restrictions, regulations and controls.

The Annual Performance Plan of the Board is aligned to the Western Cape Provincial Strategic Plan which comprises the five Provincial Strategic Goals:

1. Create opportunities for growth and jobs
2. Improve education outcomes and opportunities for youth development
3. Increase wellness and safety, and tackle social ills
4. Enable a resilient, sustainable, quality and inclusive living environment
5. Embed good governance and integrated service delivery through partnerships and spatial alignment.

The Board oversees and monitors, on an ongoing basis, how the consequences of the entity's activities and output affects its status as a responsible corporate citizen.

The Board will continue to perform its functions taking into account the workplace, the economy, the society and the environment.

Composition of the Board

The process of the nomination, election and appointment process of members to the Board is the responsibility of the Western Cape Provincial Treasury, the Standing Committee on Finance, Economic Opportunities and Tourism, the Western Cape Provincial Minister of Finance, Economic Opportunities and Tourism and the Executive Council.

The Board does not appoint its own Members and therefore does not have any control in respect of the mix of knowledge, skills, expertise, diversity and independence of appointed members to the Board. Based on aforementioned, the Board is unable to set targets for gender and race representation on the Board.

Chairperson of the Board

The Chairperson of the Board is an independent non-executive board member.

An independent non-executive member of the Board has not been appointed as lead independent Board Member as this is role appropriately filled by the Chairperson, and in his absence, the Vice Chairperson.

Board Committees

Audit Committee

The purpose of the Audit Committee is to assist the management of the organisation in fulfilling its oversight responsibilities for the system of internal control, including the processes for financial reporting, auditing and monitoring compliance with laws and regulations and the code of conduct, and to promote good governance generally.

Casino Committee

The role of the Casino Committee, bearing in mind the retention of accountability for decisions by the Board, is to evaluate and make recommendations to the Board on the status of licensing and compliance requirements during casino operational development phases, that is, from commencement of casino operations.

LPM Committee

The role of the LPM Committee, bearing in mind the retention of accountability for decisions by the Board, is to evaluate and make recommendations to the Board of the LPM site applications from a land-use perspective and on any licence compliance requirements of the LPM industry, including route operator and LPM site licence conditions.

Horseracing and Betting Committee

The role of the Horseracing and Betting Committee is to objectively reinforce the relationships between entities representing the Horseracing Industry in the Western Cape and the Board, and also, bearing in mind the retention of accountability for decisions by the Board in terms of the PFMA, to evaluate and make recommendations to the Board on matters of mutual concern as raised by the Western Cape Bookmakers Association on behalf of the Bookmakers in the Western Cape, raised by Kenilworth Racing and/or raised by the Office of the Board, in respect of any related matter deemed appropriate for consideration by the Board.

Licensing Committee

The role of the Licensing Committee is to objectively evaluate and make recommendations to the Board regarding the issuing of licences within the gaming sectors (LPM, Casino and Horseracing and Betting) regulated by the Western Cape Gambling and Racing Board, bearing in mind the retention of accountability for decisions by the Board.

Finance and IT Committee

The role of the Finance and IT Committee, in view of the delegated authority to the Chief Executive Officer, bearing in mind the retention of accountability for decisions by the Board in terms of the PFMA, is to evaluate and make recommendations to the Board on Finance and Information Technology matters.

Human Capital Committee

The role of the Human Capital Committee, in view of the delegated authority to the Chief Executive Officer, bearing in mind the retention of accountability for decisions by the Board in terms of the PFMA, is to evaluate and make recommendations to the Board on human capital related matters.

The Committees of the Board do not make use of external advisors or invitees who regularly attend committee meetings. The need to appoint an external advisor or invite an expert to attend a meeting is being done when the need has been identified for such services.

Each Committee of the Board focused on relevant subject matters as those became relevant based on developments in each respective area (for example, Finance, Human Capital, etc.) during the year under review. Areas of focus for each Committee of the Board are determined by the Terms of Reference of each Board Committee.

Performance evaluation of the Board

The Board is conscious of its responsibility to evaluate its own performance. An annual self-assessment evaluation is undertaken by the Board which is internally facilitated. The Members of the Board believe that the Board contributes to value creation in the entity and has the relevant knowledge to make a meaningful contribution to the gambling industry.

The Board is of the opinion that all relevant aspects of the entity's functions are dealt with thoroughly by the Board and its various Committees which have all discharged their responsibilities adequately. The Board is satisfied that the evaluation process improves its performance and effectiveness.

No remedial actions were identified through the evaluation process for the year under review.

Chief Executive Officer

The notice period stipulated in the CEO's employment contract is three (3) months.

The term of the CEO may be terminated in the following ways: On completing a term or extended terms of office, premature retirement at own request of employee, re-determination of original term or extended term of office by employer, voluntary resignation or death.

The CEO does not have any memberships of governing bodies outside the Western Cape Gambling and Racing Board.

There is no succession planning for the position of the CEO. If and when the position of the CEO becomes vacant, the Board will invite applications to fill the vacancy as per the processes set out in the Board's Human Resources Policies and Procedures.

Delegation of authority framework

The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities in the entity.

Risk

The Board assumes responsibility for the governance of risk by setting the direction on how risk should be approached and addressed in the entity. The Board treats risk as integral to the way it makes decisions and executes its duties.

As a public entity working with public funds, the Board's risk appetite is low. Any residual risk that is above the Board's risk appetite can only be accepted after sign-off by the Chief Executive Officer.

The Executive Committee periodically assess the organisational risks of the entity. These risks are reviewed by the Audit Committee and Finance and IT Committee and as a last step, approved by the Board. Accordingly, each department's risks are reviewed along with the annual performance plan (APP) and the overall budget.

Future areas of focus will be determined by those items/issues relevant to the Board in its capacity as Gambling Regulator in the Western Cape.

Technology and Information

The Board assumes responsibility for the governance of information and communication technologies (ICT). The Board adopted the CGICT Charter, COBIT IT/ITIL Governance Framework, including policies, processes, procedures and structures for the effective functioning of technology and information.

The Finance and IT Committee as well as the Audit Committee assist the Board with information technology governance.

Key areas of focus during the reporting period include strategic objectives as per the Strategic Plan 2015 – 2020, performance indicators as per the Annual Performance Plan, reporting to the various Committees regarding major incidents, where applicable, as well as quarterly reporting to the Board and its Committees in respect to Information Technology matters.

Risks and controls associated with the IT function are incorporated in the Board's Risk Register. Outcomes of any technological and information management nature are dealt with via the WCGRB Help Desk system and reviewed bi-weekly.

Planned areas of future focus include the Digitized Automated Licence Application Process and the upgrade of all necessary systems and applications.

Compliance

The Board assumes responsibility for the governance of compliance with applicable laws and regulations affecting the Board. The Board delegated the responsibility to implement and effect compliance with relevant laws and regulations to the CEO and the Executive Committee.

All relevant laws and regulations applicable to the Western Cape Gambling and Racing Board were key areas of focus during the reporting period. The Board operates within applicable laws and regulations and the policies and procedures of the Board are based on the laws and regulations applicable to the Board.

The Board has an in-house legal department and the regulatory environment is monitored on a continuous basis to ensure that the Board responds to changes and developments in applicable laws and regulations. The compliance management of the Board takes a holistic view on how applicable laws and regulations relate to one another and how it affects the operations of the Board. The Board and its Committees continually monitor the Board's compliance with applicable laws and regulations.

Planned areas of future focus will be determined by the developments in laws and regulations applicable to the Western Cape Gambling and Racing Board.

Regulatory penalties, sanctions or fines

For the 2019/20 financial year, there were no material or repeated penalties, sanctions or fines for contraventions of, or non-compliance with statutory obligations that were identified.

Remuneration

The Board's salary scales are in line with those prescribed by the Department: Public Service and Administration (DPSA).

The Board assumes responsibility for the governance of remuneration through the implementation of the Board's Remuneration Policy. The approved remuneration policy gives effect to its direction on fair, responsible and transparent remuneration. The Board aims to align its remuneration policy with its organisational strategy and the execution of that strategy. This alignment maximises the performance and effectiveness of the organisation, thus increasing the attainment of organisational objectives. Remuneration management is consequently of extreme importance to the entity as poor management and control of remuneration could have a negative effect on the overall succession of the organisation - both financially and operationally.

The remuneration of the Board Members and Executive Management is appropriately disclosed in the financial statements and comply with the disclosure requirements of Standards of Generally Recognised Accounting Practice.

Stakeholder relationships

The Board assumes responsibility for the governance of stakeholder relationships by setting the direction for how stakeholder relationships should be approached and conducted in the entity. This approach is in line with the Code of Conduct and the Western Cape Gambling and Racing Act.

The Board oversees the establishment of mechanisms and processes that support constructive engagement by the entity with its stakeholders. Licence holders of the Board are afforded the opportunity to attend Committee meetings and in certain instances, Board meetings, to finalise a specific item on the Board's agenda.

Members of the Board are active in their oversight role as demonstrated by visiting Corporate Social Investment Projects undertaken by the Board's licence holders.

Stakeholders of the Board include but is not limited to the Minister of Finance, Economic Opportunities and Tourism in the Western Cape, the Western Cape Provincial Treasury, the National

Gambling Board, Provincial Licensing Authorities (gambling boards), the licensed operators in the Western Cape, the Board's employees and the general public.

Key areas of focus during the year were determined by pertinent issues affecting the stakeholders of the Board such as the relocation of the Board's staff to new accommodation, litigation matters brought against the Board, the impact of COVID-19 on the industry following the announcement of the National Disaster by the South African President on 15 March 2020, amongst others. The before-mentioned issues are provided as examples of key areas of focus for the year as the Board is unable to plan for key areas of focus. The Board is required to respond to issues as they become relevant to the Board and its stakeholders.

The Board monitors the effectiveness of stakeholder management in Board and Committee meetings as part of its oversight function. Where issues of concerns regarding stakeholder management is identified by the Board, these matters are escalated to resolve issues as soon as possible.

The Board is unable to plan for future areas of focus in respect of its stakeholders. The Board responds to issues as they become relevant to the Board and its stakeholders.

Conclusion

The Board is satisfied with the manner in which the entity has applied the recommendations of King IV to achieve good performance and effective control while maintaining legitimacy and an ethical culture. Governance processes are regularly reviewed to align with changes in laws and regulations, and to reflect changes in the entity to ensure processes remain effective.