



Corporate Governance Report 2021

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 2020 – 31 March 2021 and should be read together with the Board’s 2020/21 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 structure 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, mission, strategies, 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 has embarked on a process to formalise ethics in the entity. This is an ongoing project.

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 and the Bill of Rights.

The Board oversees that the entity's core purpose and values, strategy 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.

In setting out the Board's Annual Performance Plan for 2020/21, guidance was taken from the vision of the Western Cape Provincial Strategic Plan, 2019 – 2024, which seeks to create "A safe Western Cape where everyone prospers".

The plan include five Vision-inspired Priorities or "VIPs":

1. Safe and cohesive communities
2. Growth and jobs
3. Empowering people
4. Mobility and spatial transformation
5. Innovation and culture

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 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 and Economic Opportunities 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 role is appropriately filled by the Chairperson, and in his absence, the Vice Chairperson.

Board Committees

The Audit Committee is a Committee appointed by the Board to deliberate and advise the Board and its Chief Executive Officer in the carrying out of their functions as prescribed in the Public Finance Management Act, 1999 (Act No 1 of 1999) (PFMA) and the prevailing Treasury Regulations and the Western Cape Gambling and Racing Act, 1996 (Act 4 of 1996) and Regulations relating thereto.

The Casino Committee is a Committee appointed by the Board to consider and deliberate regulatory matters affecting the Casino industry and its stakeholders, and to make recommendations to the Board.

The LPM Committee is a Committee appointed by the Board to consider and deliberate regulatory matters affecting the LPM industry and its stakeholders, and to make recommendations to the Board.

The Horseracing and Betting Committee is a Committee appointed by the Board to consider and deliberate regulatory matters affecting the Horseracing and Betting industry and its stakeholders, and to make recommendations to the Board.

The Licensing Committee is a Committee appointed by the Board to consider and deliberate on new licence applications in terms of the Board's licensing regime and the suitability of Applicants and all associated persons and entities, and to make recommendations to the Board.

The Finance, Information Technology and Ethics Committee is a Committee appointed by the Board, to consider and deliberate Finance, Performance, Information Technology and Ethics matters relative to the Board's operations and area of responsibility and make recommendations to the Board.

The Human Capital Committee is a Committee appointed by the Board to consider and deliberate human capital matters relative to the Board's operations and area of responsibility and to make recommendations to the Board.

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. 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. The risk register is reviewed by the Executive Committee on a regular basis, reviewed by the Audit Committee, Finance, IT and Ethics Committee and approved by the Board.

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, IT and Ethics 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, IT and Ethics Committee as well as the Audit Committee assist the Board with the governance of information technology.

Key areas of focus during the reporting period include strategic objectives as per the Strategic Plan 2020 – 2025, 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 further development of the Digitized Automated Licence Application Process and the upgrade of all necessary systems and applications. The Office is also in the process to plan further automation for other business processes outside the licensing process.

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 2020/21 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) as advised by the Minister for Finance and Economic Opportunities.

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 on 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 reviewing 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 and Economic Opportunities 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 lastly, the general public.

Key areas of focus during the year were determined by pertinent issues affecting the stakeholders of the Board such as litigation matters brought against the Board, the ongoing impact of COVID-19 pandemic on the gambling industry, 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 at 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.