

# Corporate Governance

## Introduction

Umgeni Water remains fully committed to good governance practices as set out in King II and compliance with the Water Services Act (Act 108 of 1997) the Public Finance Management Act (Act 1 of 1999), as amended, and Treasury Regulations. During the year, the organisation commenced alignment with the King (III) Code of Governance Principles.

## Shareholder

The government of the Republic of South Africa, represented by the Minister of Water and Environment Affairs, is the sole shareholder of Umgeni Water. In this regard, the Board has concluded a shareholder compact and has actively engaged with the shareholder

through various forums during the year under review. The shareholder's compact reflects the strategic objectives, outcomes, measures and targets to which the organisation has committed.

## Board of Directors

Umgeni Water has a unitary Board comprised of fourteen (14) non-executive Board members and one (1) Executive Board member. The current Board was appointed by the Minister of Water and Environmental Affairs with effect from 1 July 2009.

The term of office of a non-executive director is for a period not exceeding four (4) years. Non-executive directors may be reappointed and reappointment is limited to three (3) consecutive terms of office.

The Board is accountable for the leadership and control of Umgeni Water. Its responsibilities include the development, review and monitoring of strategic objectives, the approval of major capital expenditure, risk governance, and monitoring of operational and financial performance.

## Board Meetings

During the year, the Board held eleven (11) meetings which included the Board induction and strategy meetings. Meeting attendance is shown in Table 1.

Table 1: Board Members and Meeting Attendance

Board Members	Board Meeting Attendance				Board Induction			Board Workshop	Board Strategy	Site Visit / Special Meeting	
	23-Sep-09	18-Nov-09	10-Mar-10	14-Apr-10	02-Jul-09	03-Aug-09	04-Aug-09	17-Nov-09	04-Feb-10	09-Mar-10	03-Jun-10
Mr A Mahlalutye <sup>1</sup>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms M Lesoma <sup>2</sup>	✓	✓	✓	≠	✓	✓	✓	✓	✓	✓	≠
Mr V Gounden	✓	✓	✓	≠	✓	≠	≠	✓	✓	≠	✓
Ms T Shezi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms N Afolayan	✓	≠	✓	✓	✓	≠	✓	✓	✓	≠	✓
Ms J John	✓	✓	≠	≠	✓	≠	≠	✓	≠	≠	}]
Ms Z Mathenjwa	✓	✓	✓	✓	≠	✓	✓	✓	✓	✓	}]
Dr T Dube	✓	✓	✓	✓	✓	≠	✓	✓	✓	✓	✓
Ms N Chamane	✓	✓	✓	≠	✓	✓	✓	✓	✓	✓	≠
Mr V Reddy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Prof I Vally	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr G Atkinson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr T Nkhahle	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr I Nxedlana	≠	≠	✓	✓	✓	≠	≠	≠	✓	≠	✓
Mr M Msiwa <sup>3</sup>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

<sup>1</sup> Chairperson

<sup>2</sup> Deputy Chair

<sup>3</sup> Chief Executive

✓ Indicates attendance

≠ Indicates absence with apology

\* Indicates attendance by invitation

}] Indicates participation via teleconference

## Board Committees

The Board has delegated responsibility to meet its corporate governance and fiduciary duties to three (3) committees, namely:

- Audit and Risk Committee,
- Human Resources and Remuneration Committee (Remco), and
- Capital Projects, Fixed Assets and Procurement Committee (Capex).

The committees are chaired by non-executive Board members and each has a written terms of reference.

### Audit and Risk Committee

The committee consists of seven (7) non executive Board members and is chaired by Professor Imtiaz Vally.

The Committee is mandated to achieve the highest level of financial management, accounting and reporting to shareholders and to meet the requirements prescribed in section 51(1)(a)(ii) and 76(4)(d) of the PFMA, as well as the Treasury Regulations (Chapter 27.1).

The terms of reference of the committee have been reviewed to ensure alignment with the requirements of King III.

The primary responsibilities are:

- Provide reasonable assurance regarding the integrity and reliability of the financial statements,
- Consideration as to the adequacy of information systems,

- Ensuring effective internal financial controls are in place,
- Overseeing the external audit function,
- Reviewing the integrity of risk control systems and risk policies, and
- Compliance with legal and regulatory requirements.

Five (5) meetings were convened in the past year for which attendance is shown in **Table 2**.

**Table 2: Audit and Risk Meeting Attendance**

Board Members Meeting Attendance					
	01-Sep-09	28-Oct-09	24-Feb-10	24-Mar-10	01-Jun-10
Prof I Vally <sup>2</sup>	√	√	√	√	√
Ms N Afolayan	≠	√	≠	≠	√
Ms J John	∩	≠	√	≠	≠
Mr I Nxedlana	≠	≠	√	≠	≠
Mr T Nkhahle	√	≠	√	√	√
Ms Z Mathenjwa	√	√	√	√	√
Dr T Dube	√	√	√	√	≠
Mr G Atkinson	*	*	*	*	*
Ms M Lesoma		*			
Ms T Shezi		*			
Mr V Reddy		*			
Mr M Msiwa <sup>3</sup>		*			

<sup>1</sup> Joint Remco / Audit & Risk

<sup>2</sup> Chairperson

<sup>3</sup> Chief Executive

√ Indicates attendance

≠ Indicates absence with apology

\* Indicates attendance by invitation

∩ Indicates participation via teleconference

### Internal Control

The Board is accountable for the system of internal controls. Umgeni Water policies, procedures, structures and delegation of authority frameworks clearly define and provide appropriate levels of responsibility.

The internal controls are designed to provide reasonable assurance that significant risks are appropriately managed, that management and financial information is reliable and that the assets are safeguarded.

### External Audit

Deloitte and Touche were the external auditors for the year under review.

The external auditors are responsible for reporting on whether the financial statements are fairly presented and that they are prepared in compliance with International Financial and Reporting Standards ("IFRS"). Their audit also includes an assessment of select internal controls. The preparation of the annual financial statements and the adequacy of the system of internal controls remain the responsibility of the Board.

### Internal Audit

PricewaterhouseCoopers and Thabani Zulu were the internal auditors for the year under review.

In line with the requirements of the PFMA and good governance, a risk-based approach is applied to provide independent assurance on the adequacy and effectiveness of the system of internal controls to manage the significant risks.

The internal auditors report regularly to the Audit Committee and have unrestricted access to the committee chairman. An internal audit charter has been approved by the committee.

# Corporate Governance continued

## Remuneration and Human Resource Committee

The Committee is chaired by Nompumelelo Chamane and comprises seven (7) non-executive Board members and one (1) executive Board member.

Umgeni Water has a remuneration philosophy that seeks to align the corporate strategic objectives with performance.

The Remuneration Committee's responsibilities include:

- Human resources strategy and policies aligned to the corporate strategy,
- Remuneration for executive management,
- Performance management policies

The Remuneration committee held five (5) planned meetings, four (4) special meetings, and one (1) task team meeting, as shown in **Table 3**.

## Procurement, Fixed Assets and Capital Projects Committee

The committee is chaired by Nombuso Afolayan and comprises nine (9) non-executive Board members and the Chief Executive.

Four (4) committee meetings were held in the year. **Table 4** shows meeting attendance for the year.

The Committee assisted the Board to discharge its duty to safeguard Umgeni Water assets through capital management programmes which were consistent with Umgeni Water's financial and strategic

objectives. The Committee has a written term of reference.

**Table 3:** Remuneration and Human Resource Committee Meeting attendance.

Board Members	Meeting Attendance						Special Meeting
	20-Aug-09	22-Oct-09	17-Feb-10	13-Apr-10	13-May-10	01-Sep-09	
Ms N Chamane <sup>1</sup>	√	√	√	√	√	√	√
Ms M Lesoma	√	√	≠	√	√	√	√
Ms T Shezi	≠	√	√	√	√	√	√
Mr V Gounden	√	√	≠	√	≠	√	≠
Ms Z Mathenjwa	√	√	√	√	√	√	√
Mr G Atkinson	√	√	√	√	√	√	√
Mr V Reddy	√	√	√	√	√	√	√
Mr M Msiwa <sup>3</sup>	≠	√	√	√	≠	√	√ <sup>4</sup>
<b>Invited Members of the Board</b>							
Mr A Mahlalutye							* <sup>2</sup>
Prof I Vally							*
Mr T Nkhahle							*
<b>Task Team / Special Meeting 29-Jun-10</b>							
Ms N Chamane	√						
Ms M Lesoma	√						
Ms Z Mathenjwa	√						
Mr V Reddy	≠						
Prof I Vally	√						
Ms N Afolayan	√						
Mr M Msiwa <sup>3</sup>	√						

**Table 4:** Procurement, Fixed Assets and Capital Projects Committee Meeting Attendance

Board Members	Meeting Attendance					Special Meeting
	19-Aug-09	14-Oct-09	12-Feb-10	31-Mar-10	20-May-10	
Ms N Afolayan <sup>1</sup>	√ <sup>5</sup>	√	√	≠	√	√
Ms T Shezi	√	√	√	√	√	√
Mr G Atkinson	√	√	√	√	√	√
Mr T Nkhahle	√ <sup>2</sup>	√	≠	√ <sup>2</sup>	√	≠
Ms N Chamane	√	√	√	√	√	√
Dr T Dube	≠	√	√	√	√	√
Mr I Nxedlana	√	≠	≠	≠	≠	≠
Mr V Reddy	√	√	√	√	√	≠
Ms M Lesoma	√	≠	√	√	≠	≠
Mr M Msiwa <sup>3,4</sup>	√	√	≠	√	≠	√

<sup>1</sup> Chairperson

<sup>2</sup> Nominated Chairperson

<sup>3</sup> Chief Executive

<sup>4</sup> Attended part of meeting

<sup>5</sup> Joined meeting late

√ Indicates attendance

\* Indicates attendance by invitation

≠ Indicates absence with apology

## Executive Management Committee (EXCO)

The committee comprises five (5) members and is chaired by the Chief Executive. It is responsible for implementing the strategies approved by the board.

### Delegation of Authority

The Board is ultimately accountable to lead and control Umgeni Water. It has delegated authority to the Board committees and executive management.

### Fraud Prevention

The Board acknowledges its responsibility to ensure that Umgeni Water is a fair, transparent and ethical organisation and has therefore established a fraud prevention committee to effectively manage fraud as prescribed in Section 29.1.1 of the Treasury Regulations in the PFMA.