CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

CITY OF CAPE TOWN

RESPONSIBILITY, ACCOUNTABILITY AND IMPROVEMENT POLICY

(Policy number 74538)

Approved by Council: 30 July 2026

C 31/07/26

Making progress possible. Together.

CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

CITY OF CAPE TOWN RESPONSIBILITY, ACCOUNTABILITY AND IMPROVEMENT POLICY

Contents

1. Definitions

'accountability', means the obligation to answer for the execution of assigned responsibilities;

'assurance provider', means the person, branch, department or institution providing assurance on reports, statements, risks and controls in accordance with the City's assurance governance model;

'City', means the City of Cape Town, a municipality established by the City of Cape Town Establishment Notice No. 479 of 22 September 2000, issued in terms of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), or any structure or employee of the City acting in terms of delegated authority;

'City Manager', means a person appointed in terms of section 54A of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), and 'Accounting Officer' shall have the same meaning;;

'Code of Conduct for Councillors', means the Code of Conduct for Councillors contained in Schedule 7 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998)

'Code of Conduct for Municipal Staff Members', means the Code of Conduct for Staff Members of the City contained in Schedule 2 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

'combined assurance', means integrating and aligning **assurance** efforts in the City to maximise risk and governance oversight and control efficiencies, thereby optimising overall **assurance** to Council, APAC, MPAC, Riskco, EMT and external stakeholders;

'Constitution', means the Constitution of the Republic of South Africa, 1996;

'Corporate Governance', means the system of rules, structures and processes utilised to determine the organisational direction and control of the City. Corporate governance encompasses the relationships among the management, Council, stakeholders and staff of the City;

'Council', means the Municipal Council of the City;

'Councillor', means a Councillor of the Municipal Council of the City;

'criminal action', means legal proceedings in which the state prosecutes a person who is charged with an offence;

'delegation', in relation to a duty, includes an instruction to perform the duty, and "delegate" has a corresponding meaning;

'designated official', means the official identified in the City or its municipal entities to receive reports of allegations of financial offences against Councillors or members of the board of directors of municipal entities;

'Disciplinary Board', means a disciplinary board established in terms of regulation 4(1) of the MRFMPCP;

'employee', means―

(a) any person, excluding an independent contractor, who works or worked for the City or its municipal entities and who receives or received, or is entitled to receive, any remuneration; and

(b) any other person who in any manner assists or assisted in carrying on or conducting or conducted the business of the City or its municipal entities.

'ethics', means the ethical values amongst others integrity, accountability, transparency, objectivity, fairness, trustworthiness and professionalism, that are applied to decision-making, conduct and the relationship between the City, its stakeholders and broader society;

'event', means an occurrence of a risk or opportunity that has materialised, which impacts operations, and requires action to be taken;

'financial misconduct', means any act of financial misconduct referred to in―

(a) section 171 of the MFMA committed by an official of a municipality; or

(c) section 172 of the MFMA committed by an official of a municipal entity;

'financial offence', means any offence referred to in section 173 of the MFMA committed by―

(a) an official of a municipality or municipal entity;

(b) a councillor of a municipality;

(c) a member of the board of directors of a municipal entity; or

(d) any other person;

'fraud', means the unlawful and intentional making of a misrepresentation which causes actual prejudice or which is potentially prejudicial to another;

'internal control', means the processes effected by the City Manager, management and officials, across the City, which are designed to provide reasonable assurance regarding the achievement of objectives;

'investigator', means the disciplinary board, treasury, person or team conducting a full investigation in terms of regulation 5(4) of the MRFMPCP;

'**line management',** means any staff member in reporting levels 1 to 4 and includes all City staff members that exercise a management or supervisory function, including EMT;

'**Mayoral Committee',** means the committee established to assist the Executive Mayor, in terms of section 60 of the Municipal Structures Act, and 'MayCo' shall have the same meaning;

'Municipal Structures Act', means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), and the Regulations promulgated in terms thereof.

'Municipal Systems Act' means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

'**Policy',** means the Responsibility, Accountability and Improvement Policy of the City.

'responsibility' means taking ownership of a duty, obligation or liability;

'Senior Manager', means a manager referred to in section 56 of the Municipal Systems Act and those members of management that are referred to in terms of Section 77 and 78 of the Municipal Finance Management Act.

'**System of Delegations',** means the City's System of Delegations as contemplated in section 59 of the Municipal Systems Act in terms of which a municipal council must develop a system of delegations that will maximise administrative and operational efficiency and provide adequate checks and balances and is approved and amended by Council from time to time.

2. Abbreviations and Acronyms

APAC: Audit and Performance Audit Committee

EMT: Executive Management Team

IDP: Integrated Development Plan

MFMA: Local Government: Municipal Finance Management Act, Act, 2003 (Act No. 56 of 2003), and the Regulations promulgated in terms thereof

MPAC: Municipal Public Accounts Committee of the City

MRFMPCP: Local Government: Municipal Finance Management Act, 2003 Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014, published under GN R430 in GG 37699 of 30 May 2014

OCO: Office of the City's Ombudsman

RiskCo: Risk Management Committee

SAPS: South African Police Service

SCM: Supply Chain Management

3. Introduction and Problem Statement

3.1. The 2022 – 2027 Integrated Development Plan (IDP) of the City of Cape Town strives to achieve a "City of Hope" for all – a prosperous, inclusive and healthy city where people see their hopes of a better future for themselves, their children and their community become a reality.

3.2. In the course of conducting its daily business operations, the City is exposed to a variety of risks and opportunities that are significant and requires comprehensive oversight to achieve good corporate and risk governance and recognise innovation.

3.3. This policy extends the general responsibilities of consequence management beyond the duty of the accounting officer to all senior managers and officials. It thus aims to reinforce a culture of accountability, responsibility, risk management, ethical conduct, and behaviour becoming of officials at all levels of the municipal administration.

3.4. In addition to corrective measures for non-compliance, this policy also incorporates positive reinforcement components emphasising the importance of acknowledging the roles that employees play who demonstrate the City's values and positively contribute to their respective operational areas. By fostering a balanced approach that includes both accountability and recognition, the City aims to strengthen governance, safeguard resources, enhance service delivery, and promote a culture of excellence and continuous improvement.

3.5. A defined, appropriate and formalised approach was required in the City to:

3.5.1. address accountability and responsibility [1] for, inter alia, non-compliance, financial misconduct[2], misconduct, and codes of conduct/ethical dilemmas; and

3.5.2. recognise positive contributions by employees as aligned to the City's Recognition and Rewards SOP.

3.6. While not designed to alter or add particular consequence to specific situations, the Responsibility, Accountability and Improvement Policy (hereinafter referred to as "this Policy") aims to formalise and consolidate the City's consequence management principles.

4. Purpose

4.1. The purpose of this Policy is to replace the City's Consequence Management Policy, 2019. This updated policy incorporates a more balanced approach and aims to create a clear, structured and balanced framework that simultaneously align expectations with both positive reinforcement and remedial, corrective and deterrent measures. The updated policy aims to reinforce desired behaviours such as responsibility, accountability and operational improvement

[1] As per prescribed by section 77 and 78 of the Local Government: Municipal Finance Management Act

[2] Financial Misconduct, per Chapter 15 of the Local Government: Municipal Finance Management Act and the National Treasury Circular 76

By acknowledging and recognising specific positive outcomes as outlined in the City's Recognition and Reward SOP the policy aims to encourage the recognition of employees who consistently meet or exceed operational expectations and requirements.

4.2. Through the formulation of this policy the City aims to provide limited guidelines to enable effective consequence management on matters relating to remedial, corrective and deterrent measures which includes but is not limited to:

4.2.1. Issues, risks and opportunities identified and reported by the various assurance providers e.g. incidents of unauthorised, irregular and fruitless and wasteful expenditure; the possible abuse of the City's Supply Chain Management (SCM) system (including fraud, corruption and improper conduct); and allegations of financial misconduct and financial offence; and ensuring that these are appropriately dealt with;

4.2.2. Addressing non-compliance actions identified, relating to non-financial misconduct be it on or off duty, which could include, but is not limited to, the following:

4.2.2.1. Disregard or failure to implement preventative or corrective measures imposed to address risks;

4.2.2.2. Lack of willingness to comply with legal obligations;

4.2.2.3. Perpetrated or participated in negligent, deceitful or otherwise discreditable practices;

4.2.2.4. Seriously or persistently fail to execute assigned duties;

4.2.2.5. Non-compliance with internal policies, procedures, legislation and regulations;

4.2.2.6. Having acted dishonestly, with negligence, mismanaged responsibility, unprofessionally, unethically and in breach of City policies;

4.2.2.7. Participation in illegal acts, including theft, violence, fraud and corruption;

4.2.2.8. Unethical, malicious or other improper conduct which may be in breach of the City's Code of Ethics or City values, the municipal Code of Conduct or in breach of the law generally;

4.2.2.9. Breach of administrative procedures, including the City's System of Delegations; or

4.2.2.10. Any other conduct that may cause financial or non-financial loss or is otherwise detrimental, to the interests of the City.

4.2.3. Hold management accountable for the execution of their delegated duties, functions and powers;

4.2.4. Provide management with direction when instituting recourse measures for established financial misconduct; and

4.2.5. Provide limited universal direction and guidance to govern the high level phases of consequence management as well as key concepts and principles with regards to the treatment of issues (various incidents and red flags), risks and opportunities identified that could negatively impact the operations, reporting processes, and compliance to legislative frameworks applicable to the City.

A primary goal is to bring about positive change in behaviour, professionalism, personal ethos, responsibility and accountability, including making appropriate rules known, understood and followed and for which consequences of non-compliance are clear and commensurate with risk and context. In addition, a core component that the policy aims to achieve is to emphasise the requirement that all City employees are ambassadors of the municipality and therefore they should conduct themselves appropriately, within the confines of societal norms, values and prevailing laws and regulations, be it on or off duty.

5. Desired Outcomes

5.1. In line with the various legislative frameworks promoting fundamental principles of effective and efficient utilisation of public resources and transparent and accountable financial management practices, the City is committed to implementing an effective consequence management system, which not only focuses on the implementation of remedial, corrective and deterrent measures but also incorporates positive forms of consequence management.

5.2. This balanced approach aims to reinforce desired behaviours and by doing so the policy aims to achieve a culture where employees are motivated to meet the City's strategic and operational goals and align with the City's core values. This Policy is designed to:

5.2.1. Improve the City's internal control processes for reporting allegations of financial misconduct, financial offences and non-financial misconduct to Council to ensure compliance to legislative and regulatory requirements;

5.2.2. Reduce risk exposure by ensuring all matters incurring unauthorised, irregular and fruitless and wasteful expenditure; the possible abuse of the City's SCM system (including fraud, corruption and improper conduct); and allegations of financial misconduct, financial offence and non-financial misconduct are appropriately identified, investigated and reported on;

5.2.3. Provide for comprehensive tracking and follow-up of all remedial actions, including those stemming from issues (various incidents and red flags), risks and opportunities raised and reported by the various assurance providers;

5.2.4. Take appropriate action in accordance with the law, including legal or criminal action, against any person listed in clauses 7.1; 7.2; 7.3 or 7.4 of this policy, that is found to have committed financial misconduct, financial offences or non-financial misconduct; and

5.2.5. Provide clarity with regard to the roles and responsibilities of various role players and stakeholders, encompassing responsibilities, accountability, consultation and information related to consequence management.

Furthermore, positive interventions should be embedded in everyday operations through continuous feedback, ensuring that employees are regularly acknowledged for their contributions and guided toward ongoing improvement. This balanced approach ultimately promotes an environment of accountability, motivation, and sustained engagement.

While remedial, corrective and deterrent measures, such as warnings, performance improvement plans, or disciplinary actions, may seem punitive, they are essential in maintaining fairness and consistency. It should be noted that punitive action only involves dismissals, where-as any action short of dismissal is deemed as corrective. These consequences highlight the importance of meeting expectations and the City's commitment to standards of quality, professionalism, and productivity. By addressing non-compliance promptly and constructively, the policy helps to prevent ongoing issues, improve overall operational efficiency, and maintain a healthy work environment. Ultimately, a balanced consequence management policy ensures that the organization fosters both personal accountability and excellence while creating a clear pathway for improvement and growth.

6. Strategic Alignment

The development of this Policy is one of the proactive steps that is aligned with the City's service delivery priorities and staff competence and capability objectives as detailed in the City's Integrated Development Plan (IDP).

7. Regulatory Context

7.1. This Policy is informed by the following legislation and regulations:

- 7.1.1. The Constitution of the Republic of South Africa, 1996;
- 7.1.2. Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997);
- 7.1.3. White Paper on Transforming Public Service Delivery, 1997;
- 7.1.4. White Paper on Local Government, 1998;
- 7.1.5. Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
- 7.1.6. Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) and the Regulations;
- 7.1.7. Local Government: Municipal Finance Management Act, 2003 (Act No. 57 of 2003)(MFMA) and Regulations;
- 7.1.8. Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000);
- 7.1.9. Criminal Procedure Act, 1977 (Act No. 51 of 1977);
- 7.1.10. Promotion of Equality and the Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000);
- 7.1.11. Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004);
- 7.1.12. Prevention of Organised Crime Act, 1998 (Act No. 121 of 1998);
- 7.1.13. Protected Disclosures Act, 2000 (Act No. 26 of 2000);
- 7.1.14. Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014;
- 7.1.15. MFMA Circular 68 - Unauthorised, Irregular, Fruitless and Wasteful Expenditure. Only partially adopted by Council;
- 7.1.16. MFMA Circular 76 (not adopted by Council but used as a guide)- Financial Misconduct Regulations;
- 7.1.17. SALGA Guidelines Document on the Roles and Responsibilities of Councillors, Political Structures and Officials;
- 7.1.18. Code of Conduct for Councillors;
- 7.1.19. Code of Conduct for Municipal Staff Members;
- 7.1.20. Municipal Staff Regulations;
- 7.1.21. Council's System of Delegations; and
- 7.1.22. Any other legislation or City By-laws that may be applicable to consequence management.

7.2. In addition to the above, this policy should be read in conjunction with existing, approved City policies, frameworks, directives and applicable standard operating procedures.

8. Policy Parameters

This Policy applies to:

8.1. Councillors and Alderman of the City;
8.2. Employees of the City and its Municipal Entities, specifically related to:
   8.2.1. All risks and opportunities identified that could impact the City's operations, reporting and compliance to legislation; and
   8.2.2. The working environment with the administration.
8.3. Service Providers; and
8.4. Business Partners of the City, per MOA, MOU or other contractual instruments.

It should be noted that:

(a) Every effort must be made by line management to have business processes documented, with knowledgeable staff for the appropriate application and execution of roles and responsibilities.
(b) Line management supervision must ensure adherence, and where the duties and functions are amiss, appropriate remedial and corrective action must follow.

9. Role Players and Stakeholders

The following section provides a high-level summary of the roles and responsibilities of the key role players in the City's consequence management processes and these roles and responsibilities include, inter alia:

9.1. Positive reinforcement aligned to the City's Recognition and Rewards SOP;
9.2. Recognising positive contributions ;
9.3. Incentive programs to strive for excellence (e.g. initiation of an employee of the month program);
9.4. Constructive feedback to help understand strengths and areas of improvement;
9.5. Identification of issues (various incidents and red flags), risks and opportunities;
9.6. Implementation of remedial actions and control improvements;
9.7. Risk/ issue reporting details and escalation; and
9.8. Follow-up and progressive monitoring, reporting and disclosure.

A. The Speaker

The Speaker has a political oversight function in respect of the conduct of Councillors, as well as committees of Council. The Speaker is accountable for effective consequence management in respect of reports against Councillors, ensuring that these are appropriately addressed and resolved.

To this extent, and in with line statutory duties and delegations conferred by Council as the "designated official" for Councillors, the Speaker must:

(a) Identify breaches of the Code of Conduct by Councillors, in terms of the Code of Conduct for Councillors in schedule 7 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), as well as receive reports of alleged financial misconduct in the case of Councillors who may have committed financial misconduct and/or financial offence(s) in terms of regulation 9(1) and 9(2) of the MRFMPCP;

(b) Authorise investigations into –
    i. financial irregularities where Councillors may be implicated; and
    ii. financial misconduct or financial offence where Councillors may be implicated (per regulation 11(1) (a) of the MRFMPCP, or breaches of the Code of Conduct by Councillors);
(c) Based on reports from preliminary investigations, make recommendations to Council in respect of the way forward ensuring that appropriate remedial action is taken and the control environment is improved;
(d) Table reports to Council dealing with the outcomes of full investigations in respect of allegations of financial misconduct, financial offences or breaches of code of conduct by Councillors (per regulation 14(2) and 15(1) of the MRFMPCP; and
(e) Make appropriate disclosures in respect of the outcome of all investigations into the alleged misconduct or financial irregularities of Councillors to the relevant authorities e.g. Executive Mayor, City Manager, Minister for Local Government in the Province, National and Provincial Treasury (per regulation 11(4) of the MRFMPCP.

In performing these responsibilities, the Speaker will be guided by the relevant recommendations by:

i. the MPAC;
ii. the investigator(s); and
iii. the Disciplinary Board.

In addition, consideration will be given to the Financial Misconduct and Criminal Procedure Regulation:

i. 3(4) – laying criminal charge with the South African Police Services;
ii. 3(5) – give the accused an opportunity to make written representation to the municipality (with regard to suspension) within 7 days;
iii. 10(3) – financial offenses successfully prosecuted, the judgement must be reported to the National Treasury;
iv. 11(1) – authorise investigation of facts and give Councillor (5 days) to make written submission regarding financial offence; and
v. 18 – protection of officials reporting allegations of financial misconduct and financial offenses.

B. Executive Mayor, in consultation with the Mayoral Committee (MayCo)

In line with the requirements for good corporate governance outlined in the King IV Report and in recognition of the way in which the City is currently structured, the Executive Mayor in consultation with MayCo are accountable to Council, the community, and other stakeholders at a strategic level for:

(a) Managing risks and opportunities to the City and ensuring that an effective consequence management process is implemented to reduce risk exposures and improve the control environment;
(b) Limiting consequential losses to the City from issues (various incidents and red flags), risks and opportunities;
(c) Promoting, developing, and sustaining a culture of innovation, caring, openness and transparency, service excellence, accountability and trust which would support the

City's appetite of zero tolerance to fraud, corruption and other criminal activity, maladministration or negligence and financial misconduct;

(d) Developing and implementing appropriate strategies, policies and action plans to achieve effective consequence management;
(e) Monitoring, evaluating and reviewing the success of such consequence management strategies, policies and action plans; and
(f) Making appropriate disclosures in respect of the outcome of financial misconduct to the relevant authorities e.g. Minister for Local Government in the Province, National and Provincial Treasury.

In doing so, they will be guided by recommendations made in this regard by the APAC, MPAC, RiskCo, Portfolio Committees, and the Financial Misconduct Board.

C. Members of the Municipal Council

(a) Councillors are legally bound by the Code of Conduct for Councillors - per Schedule 7 of the Municipal Structures Act, to fulfil their obligations to their communities and support the municipal objectives, and must comply with and actively promote this Policy.
(b) Councillors must strive to set the tone to sustain a culture of zero tolerance to fraud, corruption and other criminal activities.

D. City Manager

The City Manager is ultimately accountable for embedding consequence management in the City. By setting the tone at the top, the City Manager promotes accountability, integrity and values to create a control environment that facilitates good governance and service excellence.

The City Manager, or the official to whom the City Manager has delegated or sub-delegated this authority, must ensure that any allegations of financial misconduct, financial offence or non-financial misconduct against municipal officials are timeously investigated and appropriately treated and reported.

Considering the above, the City Manager is therefore ultimately responsible for proper consequence management of all issues (various incidents and red flags), risks and opportunities that have been identified and reported against municipal officials that can have a potential negative impact on the City's operations, reporting and compliance.

The City Manager's role in consequence management in the City is therefore to:

(a) Receive reports highlighting issues (various incidents and red flags), risks and opportunities that could potentially negatively impact the City's operations, reporting (specifically finance) or compliance to legislation and regulations, including tabled reports to Council of alleged financial misconduct in the case of officials who may have committed financial misconduct or financial offence(s);
(b) Consider recommendations made by assurance providers and the Financial Misconduct Disciplinary Board (in terms of municipal officials) and ensure that appropriate remedial actions are taken to address the risk exposure and improve the control environment;
(c) Consider the results of assurance providers' systems that track and follow-up on the implementation of recommendations made to line management, and obtain reasons

for delays in implementation of remedial actions (in terms of leadership and accountability);

(d) In cases of allegations of unauthorised, irregular and fruitless and wasteful expenditure; the possible abuse of the SCM system (including fraud, corruption and improper conduct); and allegations of financial misconduct and financial offence:
   i. Report the allegation to SAPS;
   ii. Refer the matter to the appropriate mechanism – which include but is not limited to, the financial misconduct board for a preliminary investigation or Council for MPAC investigation;
   iii. Maintain the necessary register(s) of all issues (various incidents and red flags), risks and opportunities reported;
   iv. Submit reports to Council on the way forward, based on preliminary report;
   v. Appoint an appropriate specialist expert or expert team, if the seniority of the transgressor and the seriousness or sensitivity of the allegations warrants such a step (sourced in assistance);
   vi. Table reports to Council dealing with the outcomes of full investigations relating to allegations of financial misconduct, or financial offences; and
   vii. Make appropriate disclosures in respect of the outcome of all investigations into the alleged financial misconduct or financial irregularities to the relevant oversight authorities e.g. Executive Mayor, Council, Minister for Local Government in the Province, National and Provincial Treasury.

E. Employees responsibility:

i. City employees are bound by South African law (both statutory, common law and case law), the terms and conditions of their employment and also the Code of Conduct for Municipal Staff Members, the City's Code of Ethics, City policies, standard operating procedures, and instructions issued periodically;
ii. Every City employee has a duty to ensure that public funds are safeguarded and City ethical values are upheld. Where issues (various incidents and red flags), risks and opportunities arise that could be deemed financial misconduct or a financial offence, these must be reported to the employee's line manager. Should the line manager potentially be implicated, the next reporting level must be informed;
iii. Key ambassadors for the successful implementation and execution of the City's value system are its employees as their conduct is often the basis on which the City is judged. The actions and spirit of employees must purport the core values and principles governing the City in a credible manner that does not compromise ethical behaviour; and
iv. Failure by any employee(s) of the City to comply with this Policy or to display the City's core values in the fulfilment of their duties and functions, could result in consequence management, disciplinary or criminal action being taken against such individual(s) in line with the relevant HR policies.

F. First Level of Assurance Provider

Line management are first level assurance providers as per the City's Assurance Governance Framework and are responsible for providing assurance on all areas within their span of control. This includes establishing, maintaining and ensuring proper governance, risk management and internal control processes, as well as addressing issues (various incidents and red flags), risks and opportunities identified and reported.

Furthermore, positive interventions should be embedded in everyday operations through continuous feedback, ensuring that employees are regularly acknowledged for their contributions and guided toward ongoing improvement. This balanced approach ultimately promotes an environment of accountability, motivation, and sustained engagement.

Line managers, per their accountability and responsibility duties, must:

(a) Recognise positive contributions by employees and provide positive reinforcement via the application of the City's Recognition and Reward SOP;
(b) Provide constructive feedback/ guidance/ counselling to help employees understand their strengths and areas of improvement;
(c) Identify and immediately report any issues (various incidents and red flags), risks and opportunities that can have a potential negative impact on the City to the appropriate level of authority, including the City Manager;
(d) Consider recommendations made by assurance providers and ensure that appropriate remedial actions are taken to address the risk exposure and improve the control environment timeously;
(e) If there is a concern that the City Manager, a senior manager or the Chief Financial Officer may be involved, report the matter to the next appropriate delegated authority e.g. Executive Mayor/ Speaker/ Council/ Provincial Treasury/ National Treasury; and
(f) Where City employees adhere to the core values and good governance principles but are disadvantaged and unduly discriminated against by superiors, it is the City's duty to protect the employees against such superiors.

G. Second Level Assurance Provider

The second level of assurance providers are comprised of risk, control and compliance assurance providers, reporting primarily to management and advisory or oversight bodies, with limited independence in relation to the activity on which assurance is required. In line with the City's Assurance Governance Framework and under the guidance and leadership of the relevant director, these assurance providers have the responsibility to, inter alia:

(a) Encourage, support and recommend positive reinforcement initiatives and measures where appropriate;
(b) Identify and immediately report any issues (various incidents and red flags), risks and opportunities that can have a potential negative impact on the City to the appropriate level of authority, including the City Manager;
(c) Make recommendations to ensure remedial action is taken and that risk exposures and control weaknesses are addressed;
(d) Implement comprehensive systems to track and follow-up on all recommendations/ remedial actions those stemming from the issues (various incidents and red flags), risks and opportunities reporting to ensure that risk exposures have been adequately addressed;

(e) Provide progressive reporting to the relevant stakeholders and advisory and oversight bodies on the related outcomes to assist with the effective monitoring of consequence management in the City; and
(f) If there is a concern that the City Manager, a senior manager or the Chief Financial Officer may be involved, the matter must be reported to the next appropriate delegated authority e.g. Executive Mayor/ Speaker/ Council/ Provincial Treasury/ National Treasury.

H. Third and Fourth Level Assurance Provider

The third and fourth level of assurance providers include assurance providers who have greater independence, such as Internal Audit, various provincial and national departments (e.g. Treasury) and external auditors (The Auditor General of South Africa (AGSA)), who report to advisory and oversight bodies. In line with the Combined Assurance Model, all these assurance providers have the responsibility to, inter alia:

(a) Identify and immediately report any issues (various incidents and red flags), risks and opportunities that can have a potential negative impact on the City to the appropriate level of authority, including the City Manager;
(b) Make recommendations to ensure remedial action is taken and that risk exposures and control weaknesses are addressed;
(c) Implement comprehensive systems to track and follow-up on all recommendations/ remedial actions stemming from the issues (various incidents and red flags), risks and opportunities reported to ensure that risk exposures have been adequately addressed;
(d) Provide progressive reporting to the relevant stakeholders and advisory and oversight bodies on the related outcomes to assist with the effective monitoring of consequence management in the City; and
(e) If there is a concern that the City Manager, a senior manager or the Chief Financial Officer may be involved, the matter must be reported to the next appropriate delegated authority e.g. Executive Mayor/ Speaker/ Council/ Provincial Treasury/ National Treasury.

I. Governance Structures of Council (and bodies who advise them)

Under the directive of the relevant delegations and approved terms of reference, these oversight bodies have the responsibility to, inter alia:

(a) Encourage, support and recommend positive reinforcement initiatives and measures where appropriate;
(b) Identify and immediately report any issues (various incidents and red flags), risks and opportunities that can have a potential negative impact on the City, to the appropriate delegated authority;
(c) Make decisions regarding remedial actions to be taken in respect of instances of unauthorised, irregular and fruitless and wasteful expenditure; possible abuse of the SCM system (including fraud, corruption and improper conduct); and allegations of financial misconduct and financial offences;
(d) Provide oversight over the effectiveness of consequence management in the City, by considering progressive reports submitted and by making recommendations in respect of areas for improvement; and

(e) Provide assurance to the community and other stakeholders for the sound management and governance practices of the City.

The governance structures (MPAC, APAC and the Financial Misconduct Board) have an additional oversight responsibility as specified in their terms of reference and charters insofar as it relates to consequence management.

J. Appointed Service Providers

Service providers (incl. suppliers, contractors and consultants) are required to act honestly and fairly in all their dealings with the City and in accordance with their own ethical values. Non-adherence to this Policy and any relevant City policies, their own ethical values, the City's SCM processes (inter alia, requests for quotations, tender process and contract terms and conditions, etc.) or acts of alleged fraud, corruption or collusion could result in the following consequences:

(a) The cancellation or suspension of any tenders or contracts awarded to them;
(b) Being restricted in terms of the City's Combatting of Abuse in the Supply Chain Management System Policy; and
(c) Being reported to the SAPS and any other applicable body responsible for sound business practices in the interest of safeguarding public funds.

Service providers (incl. suppliers, contractors and consultants) are encouraged to report suspected fraud, corruption and other criminal activity, maladministration or negligence involving employees of the City or other services providers to the City. Refer to the City's Whistle Blowing Policy.

10. Policy Directives

Consequence management is an integral part of setting and maintaining the right ethical tone. In setting the right ethical tone, the positive components of consequence management (recognition and reward) should be elevated and encouraged. Management should recognise and reward employees who demonstrate integrity and to the best of their abilities, uphold the values set by the City. Similarly, the City must hold all employees responsible and accountable for the execution of their duties and apply the relevant corrective measures where non-compliance with legislation, City policies and approved systems and procedures (amongst others) is identified. This however is not a new process within the City, as management is already exercising consequence management as they regularly institute remedial actions to ensure they reach their operational objectives.

It is envisaged that through the development and implementation of this Policy, the relevant stakeholders and role players will be provided with sufficient guidance and direction to enable them to provide effective oversight with regards consequence management and related outcomes.

Where it occurs, non-compliance requiring consequence management can result from numerous factors, including, lack of knowledge and training, gaps in oversight, inaccurate and incomplete interpretation and application of policies, and in some instances, culpable misconduct. It is imperative that we differentiate between culpable behaviour and non-culpable behaviour. Culpable behaviour refers to actions or omissions where an employee knowingly, recklessly, or negligently disregards laws, policies, procedures, or ethical standards, and could reasonably have foreseen the harmful consequences of their conduct. This type of behaviour implies personal accountability and may warrant disciplinary or corrective consequences. On the other hand, non-culpable behaviour refers to actions or outcomes arising from human error, system weaknesses, inadequate training, unclear processes, or factors beyond an employee's reasonable control, where there is no intent, recklessness, or negligence. Non-culpable behaviour should be addressed through learning, system improvement, and support, rather than punishment.

In line with the City's zero-tolerance approach to fraud and corruption, sexual misconduct, incidences of GBV and other incidences of serious misconduct, where these incidences occurred on or off duty culpable behaviour will not be tolerated and corrective measures, including, disciplinary actions, where merited, will be taken. The phases of the City's consequence management can be depicted as follows:

A. Phase 1: Identify Event

Effective communication assists management to identify, address, monitor and report on innovations and deliberate action(s) or inaction(s) exhibited by City employees that result in inter alia, operational improvements, non-compliance, financial misconduct, unethical, malicious or other improper conduct, illegal acts, negligence, etc. If executed fairly and transparently, effective communication reinforces appropriate, compliant behaviour and increases the likelihood of future co-operation between employees and Management.

The obligation to recognise and reinforce strong and innovative performance exercised by employees resides with management. Processes and policies that support identifying and reporting such instances includes, inter alia:

(a) Career development (City Advancement Standard Operating Procedure);
(b) Recognising and rewarding employees (City Recognition and Reward Administrative Guidelines as well as Rewards Campaign); and

(c) Employee performance management (City Individual Performance Management Standard Operating Procedures).

Similarly, there is a requirement for the reporting of issues (various incidents and red flags), risks and opportunities identified. Reporting that can have a potential negative impact on the effectiveness and efficiency of the City's operations, the reliability of its reporting (financial and non-financial) and compliance with applicable laws and regulations, can be identified from various sources, including the following (inter alia):

(a) Public complaints (See the City Ombudsman Policy, 2025 and City of Cape Town: City Ombudsman By-law, 2025);
(b) Whistle blowers (See the City's Whistle Blowing Policy);
(c) Declarations of Interest Process (See the City Declaration of Financial Interests for Councillors Policy);
(d) Declaration of Interest for City Employees (See Private Work and Declaration of Interest Standard Operating Procedure);
(e) City's Risk Registers (See the Integrated Risk Management Standard Operating Procedure);
(f) Combined Assurance Model (See the Assurance Governance Framework);
(g) Reports from the City's assurance providers; and
(h) Reports from the Office of the Auditor General (AGSA).

Issues (various incidents and red flags), risks and opportunities can vary in their significance as well as the City's tolerance levels. This will need to be considered when identifying, treating and reporting these, also ensuring that they are dealt with in accordance with the relevant and existing legislative frameworks and Council policies.

B. Phase 2: Control Activities

Control activities are the actions established through policies and procedures that aim to mitigate risks to achieve the objectives. A policy establishes what should be done, whereas procedures are actions by people to implement stated policies. Within the City, control activities are performed both internally and externally, as part of initiatives to remain compliant in the local government system in which it operates. Control activities are managed through the City's approved System of Delegations, policies and procedures, which forms an essential part of organisational governance practices. Additionally, the System of Delegations assigns powers, duties and functions, which may be sub-delegated, where appropriate.

These activities come in various forms, including amongst others, preventive, detective, and corrective measures. They encompass a wide spectrum of both manual and automated processes, all aimed at, inter alia, safeguarding the City's assets, ensuring the integrity and reliability of operations, and maintaining operational efficiency. Among the key control activities are authorisation and approvals, which help establish clear lines of responsibility and accountability. Verifications play a role in double-checking critical transactions and data, while reconciliations ensure the accuracy and consistency of records. Additionally, operational performance reviews are conducted to assess control activities' overall effectiveness and identify areas of improvement.

Another important control activity relates to the principle of segregation of duties. This principle involves dividing responsibilities among different staff to prevent any one person from having unchecked control over a critical process or function. This practice helps mitigate the risk of errors, fraud, and misuse of resources. In cases where strict segregation of duties is not feasible, management should develop and implement alternative controls to ensure that risks are adequately managed.

Internal control systems are subject to limitations, such as cost-benefit considerations, human judgment, management discretion, control overrides, etc. Refer to **Annexure B** for guidelines on control activities.

Remedial actions in the context of consequence management– efforts can be identified from documented processes of various existing management tools, such as:

(a) Management actions included in City Risk Registers;
(b) Recommendations and agreed management actions included in reports from the City's second level assurance providers (e.g. Legal Services, Occupational Health and Safety, Environmental Resource Management, Business Continuity Management, etc.);

(c) Recommendations and agreed management actions included in assurance reports from third and fourth level assurance providers (i.e. Internal Audit, Forensic Services - Investigations, Ethics - Investigations, OCO Investigations, Auditor General of South Africa, and other external assurance providers);
(d) Directives issued from the Office of the City Manager or CFO;
(e) City Manager correspondence directed to Executive Management Team members;
(f) Recommendations included in reports from independent investigators appointed by the City Manager (sourced service providers);
(g) Recommendations from advisory and oversight bodies - MPAC, Financial Misconduct Disciplinary Board, APAC, etc.;
(h) Resolutions by Council and Council Committees; and
(i) Directives and instructions issued by Provincial and National Treasury.

The establishment and enforcement of control activities is the responsibility of line management, who have an intrinsic duty to fulfil their job function, powers and delegations in a responsible manner.

C. Phase 3: Monitoring

Comprehensive systems must be implemented to track and follow-up on the implementation of all remedial actions stemming from the various role players in the consequence management process.

This is to:

(a) Ensure that risk exposures have been adequately and timeously addressed to curtail the impact and prevent the issue, risk or opportunity from re-occurring; and
(b) Assist the advisory and governance structures in their assessment of the effectiveness of consequence management in the City; enable them to provide assurance to the stakeholders in this regard.

It is therefore the responsibility of those recommending the remedial actions, and the Executive Directors (ED) in the case of the City Manager issuing directives, to ensure that:

(a) the implementation of corrective action is tracked and monitored;
(b) overdue actions are reported on; and
(c) follow-ups are performed to confirm/ verify successful implementation of corrective action.

The following practices should be applied to ensure comprehensive tracking and follow-up processes are implemented:

(a) Registers should be maintained by each role player responsible for making recommendations, documenting the issues (various incidents and red flags), risks and opportunities and related remedial actions, including the estimated implementation date and responsible action owners;
(b) Nodal representatives should be appointed in each directorate to provide information with regards to the status of implementation of remedial actions relevant to their directorate;
(c) Role players should provide feedback to nodal representatives in terms of the implementation status of remedial actions, and escalate those that are overdue to the next reporting level or delegated authority, if necessary;
(d) Perform follow-ups / checks to confirm whether remedial actions have indeed been implemented/ actioned successfully by the responsible officials;
(e) Successful implementation of remedial actions can be measured in terms of a key operating indicator on ED and Directorate performance scorecards; and
(f) Progressive reporting to the appropriate delegated authority and advisory and oversight bodies who can be tasked to take action against management for tardiness (failure to implement the remedial action(s) successfully and timeously).

The actions impacting the control objectives i.e. the efficiency and effectiveness of the City's operations, the reliability of the City's reporting (financial and non-financial), the City's compliance to legislation, regulations, policies and procedures; will be disclosed in the following formats:

(a) Second Level Assurance Providers Reports;
(b) Internal Audit Assurance Reports (including Quarterly Reports to APAC);
(c) AGSA Report;
(d) Corporate Performance Scorecards;
(e) City Manager and Executive Directors Personal Performance Scorecards;
(f) City's Integrated Annual Report;
(g) City's Annual Financial Statements;
(h) City's Annual Oversight Report;
(i) Management Responsibility Letter;
(j) Internal Control Environment Report; and
(k) Governance Committee Annual Reports.

In order to ensure that Council and its officials take ownership and accountability for the good financial management of the City, the following corporate documents need be periodically updated to incorporate aspects of consequence management:

(a) Council, Advisory and Governance Structures Terms of References – Accountability and responsibility in respect of oversight role or decision making role regarding consequence management to ensure good corporate governance;
(b) Directorate and Departmental Business Plans – Commitment in respect of responsibility and accountability regarding consequence management to ensure good corporate governance; and
(c) Service Delivery Budget and Implementation Plan – Inclusion of a Consequence Management Key Performance Indicator.

11. Implementation

11.1. This policy will be implemented as follows:

(a) Investigators shall have free access to all staff, records and premises subject to applicable laws in order to carry out investigations.
(b) If there is a suspicion that fraud, corruption and other criminal activity, maladministration or negligence has been perpetrated or attempted, line management must promptly follow the procedures provided in the City's Fraud Prevention Policy, which must be read in conjunction with this Policy and all relevant appendixes.
(c) If there is a concern that the City Manager may be involved in any allegations of financial misconduct and financial offence, this should be reported to the Executive Mayor.
(d) The City's Whistleblowing Policy is in place to safeguard whistle blowers against intimidation or victimisation. No person will suffer any penalty or retribution for good faith reporting of any suspected or actual incident of fraud and corruption.

11.2. This Policy will be implemented City-wide.

11.3. Key dependencies to the successful implementation of the Policy include:

(a) Awareness;
(b) Registers;
(c) Terms of Reference;
(d) Records;
(e) Reporting; and
(f) Roles and Responsibilities.

11.4. Challenges faced by the City for the successful implementation of this Policy include the following:

(a) The lack of understanding of the various legislation and regulations relating to consequence management, and the impact thereof on the:
- City's policies and procedures;
- Operations;
- Due care; and
- Leadership expectations.

12. Reporting

In the City, reporting on consequence management is decentralised in nature. This decentralised reporting involves distributing reporting responsibilities and tasks across various departments or teams within the City, rather than having them all handled by a central reporting unit. This approach allows for more localized control and faster responses to specific reporting needs whether it relates to remedial and reprimand activities or positive reinforcements. Refer to **Annexure A** for details.

13. Policy Monitoring, Evaluation and Review

13.1. Monitoring and Evaluation

The reduction of AGSA findings in respect of poor consequence management will be one of the key indications of the successful implementation of the Policy. Other indicators could include the following:

(a) Reduced reported issues (various incidents and red flags), risks and opportunities relating to non-compliance to sections 32, 62, 78,102, 115, 171, 172, 173, 174, 175 of the MFMA and the related regulations;
(b) Improved percentage of assurance provider recommendations implemented;
(c) Increased understanding of the gravity of the law and the consequences of failure to comply, recognised by all City employees, role players and stakeholders; and
(d) Improved service delivery through good governance.

13.2. Review

This Policy will be reviewed regularly, at least once in an electoral term, considering the feedback received from the various stakeholders and role players, or as required, based on any changes in legislation or in response to operational requirements. The required amendments will be made and submitted to Council for approval.

14. Annexures:

Annexure A – Decentralised Reporting

Annexure B – Guidelines to Responsibility, Accountability and Improvement Policy

ANNEXURE A: CITY DECENTRALISED REPORTING

1. Decentralised Reporting

In the City, reporting on consequence management is decentralised in nature. This decentralised reporting involves distributing reporting responsibilities and tasks across various departments or teams within the City, rather than having them all handled by a central reporting unit. This approach allows for more localized control and faster responses to specific reporting needs whether it relates to remedial and reprimand activities or positive reinforcements.

2. Key aspects of decentralised reporting

There are multiple positive aspects of decentralising, which includes, but is not limited to the following:

a) Reporting Ownership

Decentralised reporting gives individual departments or teams ownership over their own reporting processes and data, leading to a better understanding of their respective needs and requirements, which they can communicate directly to the rest of the organisation.

b) Higher Flexibility

It allows greater flexibility to adapt to the changing needs of the City should there be a requirement for one of the custodians to amend its processes and procedures. This flexibility improves efficiencies, as changes in one area does not affect the custodians of any other registers and their reporting processes.

c) Localised Data Control

The possibility of data contamination through manual intervention processes is reduced as the interpretation and analysis of the data is performed by the custodians of the respective registers. The custodians receive the data directly from the submitting department, thus a data cleansing and data re-formatting is not required.

d) Improved Efficiency

As there are already established decentralised reporting procedures in place (refer to the table below) the decentralised reporting processes offers significant benefits which is already in place whereas the centralised reporting requirement is a redundant exercise as the same information (produced by the relevant custodians) are replicated in a central report.

3. City Decentralised Reporting Structure

<table>
<tr><th>Stream</th><th>Source</th><th>Information Type</th><th>Information Custodian</th><th>Outputs</th></tr>
<tr><td>1</td><td>Directorate Consequence Management Register</td><td>Directorate record of consequence management, per the consequence management register templates</td><td>Executive Director's Office Manager</td><td>Part A: Register of positive reinforcement actions

Records positive reinforcement actions taken to recognise or reward operational enhancements and staff going beyond their functional duties, thus contributing to enhanced service delivery. A recognition or reward can take one of the following forms:
Acknowledgement of staff through emails or minutes of the meetings;
Directorate-wide communication;
City-wide communication; and
An award nomination.
Part B: Register of remedial actions

Records remedial actions taken aimed at improving organisational controls, processes, personnel behaviour and/or conduct. Remedial actions include the following:
Discussion:
Discussion between line manager and employee on the alleged misconduct and possible guidance to prevent future potential events.
Corrective training:
Where line management activates a training intervention to address the misconduct, and to prevent a repeat of such misconduct.
Counselling session:
Initiated by line management against an employee, to reaffirm the rule or standard and to prevent a repeat of such misconduct.
Informal disciplinary hearing:
Initiated by line management against an employee, to address and correct the misconduct, and to prevent recurrence.
Formal disciplinary hearing:
Initiated by line management against an employee, to address and correct, or impose appropriate sanctions to prevent a repeat misconduct.</td></tr>
</table>

Stream	Source	Information Type	Information Custodian	Outputs
2	Employee Relations Register (ERR)	Contains information on formal, informal and counselling actions initiated against employees	Director: HR Employee Relations	• Monthly reporting to Manager: Employee Relations • Monthly reporting to Cooperative Governance & Traditional Affairs (COGTA) on: a. Fraud and corruption cases b. Fraud and corruption related dismissals c. All completed cases d. Suspended staff and e. Total number of disciplinary cases f. Number of finalised disciplinary cases • Quarterly reporting to the Member of Executive Council (MEC) of Local Government (LG). • Quarterly report to directorate Corporate Services, then to the Organisational Performance Management department, then a combined report on Circular 88 (C88) to the National Treasury (NT). • Quarterly report to APAC reflecting formal and informal disciplinary matters on Forensic Reports.
3	Financial Misconduct Case Register	Contains information on allegations of Financial Misconduct	Financial Misconduct Board	• Quarterly Report to EMT and APAC. • Quarterly report to NT via the eMuni System.
4	Unauthorised Irregular, Fruitless and Wasteful (UIFW) Expenditure Register	A management tool developed to assist with reporting, monitoring and serves as a source for the disclosure of Citywide UIFW expenditure.	Office of the City Manager: Specialist Advisor	• Quarterly dashboard for the in-year information to CM and EMT for ED performance and corporate scorecard reporting purposes. • Biannual reporting of active register (open items and items resolved on by Council in the financial year i.e. write-off or recovery) to MPAC. • Open items yet to be resolved are followed-up quarterly to ensure resolution. • C88 and KPI quarterly reporting i.e. Quarterly OPM SharePoint evidence reporting. • NT Reporting – Quarterly via e-Muni System • Department of Cooperative Governance and Traditional Affairs in South Africa (DCoG) Reporting – Quarterly, including Council Resolutions • Quarterly MEC of LG Report, with AGSA copied in on correspondence.
5	Recognition and Rewards	Information on the City's formal recognition and rewards.	Director: Organisational Effectiveness and Innovation	City Annual Awards Ceremony

Annexure B: Policy Guidelines

1. Introduction

The Policy Guideline aims to assist management in effectively discharging their duties relevant to consequence management in the City and in accordance with the Responsibility, Accountability and Improvement Policy.

2. Leadership and Governance

2.1. In the context of consequence management, it is essential to consider the due process and due care executed by management responsible for overseeing the process. This includes ensuring that all actions taken are consistent with established policies, legal frameworks, and organizational standards.

2.2. Line management in this role must also have the appropriate, delegated authority to make decisions and enforce consequences effectively, while adhering to the principles of fairness and transparency.

2.3. Additionally, management should assess situations impartially, make informed decisions, and manage any potential risks or disputes that arise. Balancing these factors is crucial to maintaining accountability and ensuring the integrity of the consequence management process.

3. Consequence Management Principles

All employees are responsible for executing their duties in accordance with the City's Code of Ethics, Code of Conduct and the System of Delegations. If applied correctly, consequence management is twofold, namely:

a) Recognition and Reward

To recognise and reward individuals who demonstrate integrity, uphold the values set by the City and contributes to operational enhancement through their innovative ideas, "out of the box thinking" and going beyond their functional duties, thus contributing to enhanced service delivery. A reward in the form of, amongst others, high IPM performance scores, rewards and recognition programmes, succession planning etc. are incentives, based on merit that should be extended to deserving employees.

b) Remedial Responses and Reprimands

To hold employees responsible and accountable for the execution of their duties and apply the relevant corrective measures, where non-compliance is identified. These types of consequence management is already exercised daily through the effective management of people and operations. Accountability is assigned to Management by virtue of their job functions and the System of Delegations.

4. Assigning Responsibility and Accountability

4.1. Management must set clear departmental objectives and expectations which include, amongst others, the following:

a) Formalise the directorate and/or departmental goals in the relevant documentation amongst others, i.e. SDBIP
b) Communicate the operational objectives in writing to all employees;
c) Sound understanding of financial, contractual and project management;
d) Knowledge and application understanding of the City's System of Delegations;
e) Comprehensive legal knowledge of the legislative framework applicable to the local government environment;
f) Assigning of roles and responsibilities to ensure that all employees know what is expected of them (ensure that each employee has a relevant job description);
g) Assign specific responsibilities to ensure that work plans, project plans and/or business plan targets are achieved;
h) Gain buy-in from employees to meet or exceed expectations (for example, consultations relating to targets, deadlines, etc.); and
i) Apply appropriate consequences as per the IPM process (for example, rewards, training and development, etc.).

5. Communication Protocols

5.1. The obligation to recognise and reinforce strong and innovative performance exercised by employees resides with Management. Similarly, Management also needs to identify and encourage improvement, where needed.

5.2. Effective communication assists Management to identify, address, monitor and report on innovations and deliberate action(s) or inaction(s) exhibited by City employees that result in inter alia, operational improvements, non-compliance, financial misconduct, unethical, malicious or other improper conduct, illegal acts, negligence, etc.

5.3. If executed fairly and transparently, effective communication reinforces appropriate, compliant behaviour and increases the likelihood of future co-operation between employees and Management.

5.4. The manner of communication when providing feedback, must be:

a) **Respectful:** The tone of voice and body language of the person providing the feedback should show respect to the person being addressed and the focus should be to remedy the process that has gone wrong instead of attacking the employee's character.

b) **Relevant:** The feedback should relate to and communicate the required behaviour and responsibilities.

c) **Realistic:** The suggested improvement requirements set for employees should be within their capacity, easy to monitor and should be manageable for both the employee and management alike.

d) **Helpful:** The feedback session should empower the employees and leave them with a feeling of control, the sense that the session was not intended to punish and that their innovation is not stifled as they were provided with choices, set within limits.

When executing their responsibilities, employees work in familiar environments and this could provide opportunities to Management to objectively observe employees and provide detailed feedback on what was observed.

If executed fairly and transparently, positive consequence management reinforces appropriate, compliant behaviour and builds relationships between management and employees.

6. Addressing Non-compliant Behaviour

6.1. Engagement between Management and employees must aim to address, correct and/or change non-compliant behavioral matters, which include, but is not limited to:

a) Disregard or failure to implement preventative and/or corrective measures imposed to address risks;
b) Lack of willingness to comply with legal obligations;
c) Perpetrated or participated in negligent, deceitful or otherwise discreditable practices;
d) Seriously or persistently fail to execute assigned duties;
e) Malicious non-compliance with internal policies, procedures, legislation and regulations;
f) Act dishonestly, unethically and mismanage the responsibility;
g) Participation in illegal acts, including theft, violence, fraud and corruption; and
h) Behaviour that contributes to the City being issued with an unsatisfactory or qualified audit report from Auditor General of South Africa (AGSA).

6.2. The processes and procedures to be followed with regards to the different aspects of remedial actions and reprimands in the City, are specified in the relevant, existing City documents and include, but is not limited to:

a) Discussions between management and employees;
b) Corrective training to be provided;
c) Counselling;
d) Informal Disciplinary Processes; and
e) Formal Disciplinary processes

7. Types of Internal Control Measures

7.1. Citywide strong internal controls and proper segregation of duties are essential for the execution of operations.

7.2. With the proper controls embedded in the City, it will, inter alia, enhance the integrity of reporting, preserve effective and efficient operations, assist in preventing and detecting errors, irregularities, and theft, and maintain compliance with applicable laws and regulations.

7.3. There are various types of controls that could be implemented and/or enhanced to strengthen the control environment within which we operate.

7.4. Control activities as specified in the City's Internal Control Framework are designed to integrate preventive, deterrent, detective, and corrective controls. These controls can be categorised as follows:

a) **Preventive Controls:** aim to prevent unwanted acts, proactively preventing loss, errors, or omissions. These controls encompass measures including, amongst others, documented policies, comprehensive training (including fraud, corruption, and ethics awareness, etc.), segregation of duties, pre-authorisations, physical asset security, insured cash-handling operations, employee vetting, access controls (e.g. passwords, biometric devices, etc.), data validation checks, network firewalls, and employee compliance processes.

b) **Deterrent Controls:** discourage potential attackers or malicious individuals by creating a perception of risk and increasing the effort and cost required to breach security. These measures include, amongst others, physical barriers, access control systems, surveillance cameras, security personnel, alarm systems, warning signs, identification badges, security policy enforcement, auditing, and data protection measures.

c) **Detective Controls:** are employed to identify unwanted acts that have already occurred, providing evidence of irregularities, losses, or errors without preventing their recurrence. These controls complement preventive measures and include, amongst others, supervisory reviews, self-assessments, variance analysis, intrusion detection systems, physical verification, reconciliations, internal audits, and surprise counts.

d) **Corrective Controls:** are required when preventive and deterrent controls fail. They serve to rectify issues and mitigate the impact of unwanted events that occurred or is occurring. These measures include, amongst others, data backups, incident response plans, insurance coverage, disciplinary actions, software updates, fire suppression systems, and revising policies and procedures to prevent future errors and irregularities.

These controls are crucial in service delivery, as it will mitigate common risks experienced within the City.

8. Managing Risks

8.1. Various risks impact the control environment and could deter service delivery. In order to react to these risks, Management should be able to identify, detect, mitigate and/or prevent it from materialising.

8.2. The following risks should be considered when controls are implemented/enhanced:

a) **Management Override of Controls:** Management is primarily responsible for the design, implementation, and maintenance of internal control and therefore, there is the inherent potential for Management to override these controls. It requires those charged with governance, to take an active approach in evaluating the possibility of fraud occurring at the organisation and developing additional steps to control the risk of Management override.

b) **Limited Segregation of Duties:** No single person should be responsible for the authorisation of transactions, recording of transactions, and custody of the impacted assets of transactions.

c) **Overreliance on Detective Controls vs. Preventative Controls:** Although detective controls will identify whether something is wrong, it may be too late and the damage may have already been done. A good internal control system not only has detective controls, but also has preventative controls.
d) **Informal vs. Formal Controls:** Regardless of whether controls are informal or formal, they need to be actively monitored to ensure they are being performed.
e) **Overly Trusting:** When we hear stories of fraud, quite often the perpetrator is described as being honest, trustworthy, and a great employee whom you never suspected. An organisation should trust its employees to be good employees and do their job to the best of their ability, but this trust should not reduce its internal controls. In the words of Ronald Reagan, "Trust, but verify."

9. Directives Issued

9.1. As a result of findings raised by the AGSA, the CM issued Directive 5 of 2019 to address non-payment of invoices within 30 days of receiving services.

9.2. The directive stated that "cognisance be taken, refer to section 77 and 78 of the MFMA, of Top Management of Municipalities and Senior Managers and other officials."

9.3. There were multiple control measures evident in the directive namely:
a) **Deterrent Controls:** The reminder to officials to exercise their duties and responsibilities;
b) **Preventative Controls:** Specifying the process that need to be followed to remedy the situation and prevent future occurrence;
c) **Detective Controls:** utilising exception reports which indicates the status of invoices and the lead times between invoice date and Goods Received Note (GRN) processing; and
d) **Corrective Controls:** implementing proposed recommendations.

9.4. The City uses compliance notifications (such as directives) to assist directorates in developing stronger control environments that would ensure compliance with the required legislation, policies and procedures, and improve effectiveness and efficiency in the quest for service delivery excellence.

10. Conclusion

10.1. This guideline should be read in conjunction with the Responsibility, Accountability and Improvement Policy and other relevant prevailing City driver documents.

10.2. This document becomes effective from date of signature of the policy and will be reviewed as required by legislation, policy, environment, etc. Such changes will be communicated accordingly.