

**РАЗДЕЛ 3
КОРПОРАТИВНОЕ
УПРАВЛЕНИЕ
В ЮЖНОЙ АФРИКЕ**

**SECTION 3
CORPORATE
GOVERNANCE:
SOUTH AFRICA**



**CORPORATE GOVERNANCE AND RISK MANAGEMENT: A
SOUTH AFRICAN PERSPECTIVE**

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Abstract

A code of governance is crucial for any emerging country as it endeavours to provide a sound management framework and principles. Corporate governance and risk management are fairly new management concepts, but are becoming important management disciplines for the public and private sectors in South Africa. The aim of this paper is to provide insight into corporate governance and risk management from a South African perspective. South Africa is regarded as one of the more advanced countries in Africa, although still an emerging country with huge development potentials. However, should corporate governance and risk management principles be lacking and not adequately developed and implemented, the aforementioned potential will be nullified and could negatively affect the economic growth and well-being of the country.

Keywords: Corporate governance, Risk management, Code of ethics, Risk culture, Transparency, Accountability

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Introduction

South Africa is regarded as one of the leading countries in Africa in terms of economic growth and development. It has also been called the “hub of Africa” due to so many financial and business transactions flowing through the country in comparison with the rest of African countries. It is, therefore, imperative that South Africa demonstrates a solid commitment to good corporate governance practices. Since 2005 economic activities in Africa are dominated by three countries, namely South Africa, Egypt and Algeria, with South Africa contributing 60 percent of the continent’s gross domestic product

(Rossouw 2005). However, to remain an economic power in Africa, it is imperative that a sound platform for corporate governance exist. According to Armstrong (2003), the following factors motivate a drive for sound corporate governance:

- It is recognised that good corporate governance can contribute to the economic success of the country.
- It can enhance corporate responsibility and improve the reputation of organisations.
- It can attract foreign investors.
- It is regarded as a deterrent to corruption and unethical business practice.

- It can ensure market discipline and transparency.

However, to achieve this it is necessary to understand the meaning and purpose of corporate governance.

Defining Corporate Governance

According to Tarentino (2009), corporate governance addresses the processes, systems and controls by which organisations operate. It also refers to the relationship between those who govern and those who are governed. On a political level it can be regarded as the relationship between the government and its

citizens. According to Mensah (2003), corporate governance is induced by internal and external factors. The internal factors are represented by, for example, effective governance systems, relationships among key role players in an organisation, sound policies and procedures, ownership and shareholders. External factors (also regarded as external drivers of good corporate governance) are laws, rules and institutions that provide a competitive playing field and discipline the behaviour of insiders, whether managers or shareholders. These factors are illustrated in figure 1.

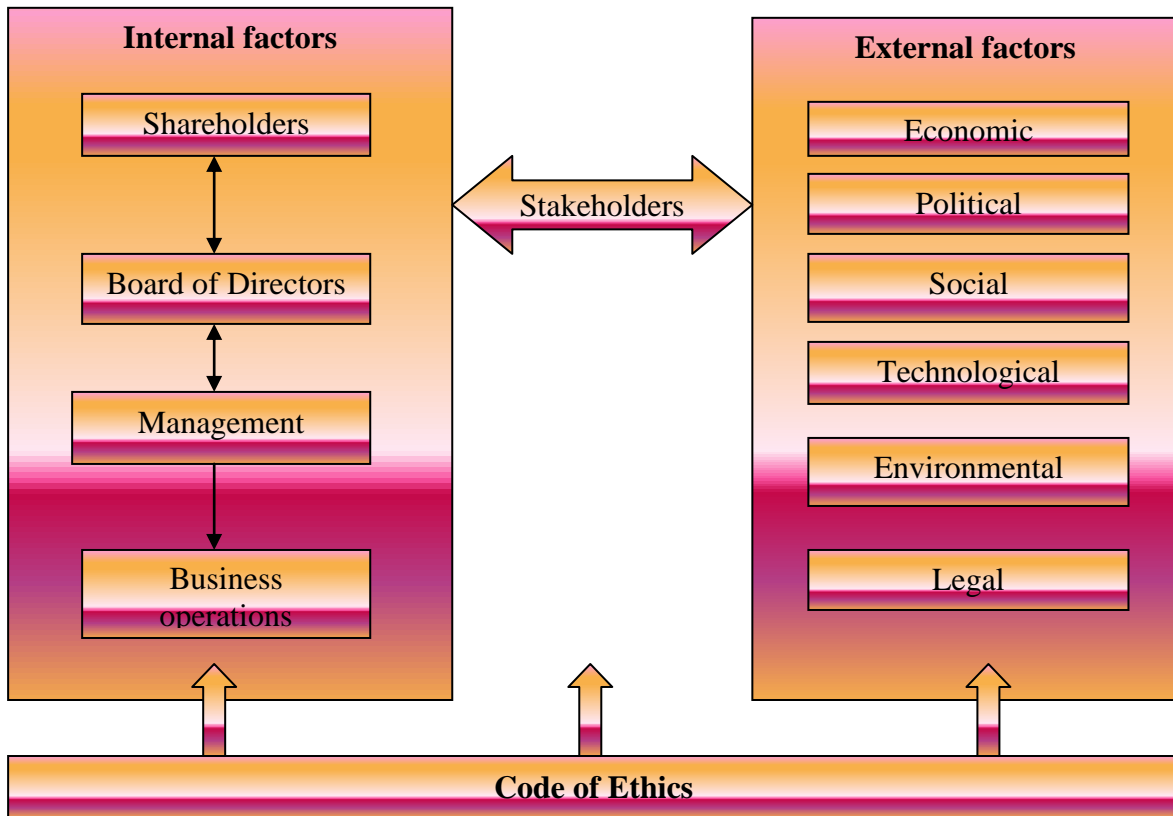


Figure 1. Internal and External Factors for Corporate Governance

It is imperative that a national code of corporate governance is supported by sound cardinal ethical values, such as transparency, accountability, responsibility and probity. The King Report (2002) recommended a six-stage process of governing ethical performance, namely:

- Identify through stakeholder engagement the perceptions and expectations that stakeholders have of the ethical performance of an organisation.
- Determine the ethical values and standards of the organisation and formulating it into a code of ethics.
- Institutionalise the values and code of ethics of an organisation on the strategic and system levels.
- Monitor and evaluate compliance to the code of ethics.

- Account and audit ethical performance according to emerging global standards.
- Disclose ethical performance to relevant stakeholders.

According to the United Nations Economic Commission for Africa (UNECA) (2002), good corporate governance exists in those economies where the institutions of government:

- have the capacity to manage resources efficiently;
- can formulate, implement, and enforce sound policies and regulations;
- can be monitored and be held accountable;
- have respect for the rules and norms of economic interaction; and

- in which economic activity is unimpeded by corruption and other activities inconsistent with the public trust.

From a government perspective, it could be concluded that the key elements contributing to an environment of good corporate governance are: transparency; an enabling environment for private

sector development and growth; and institutional development and effectiveness (UNECA 2003).

Thus, taking into account the above elements for a sound code of corporate governance, the primary elements can be accepted as illustrated by figure 2.

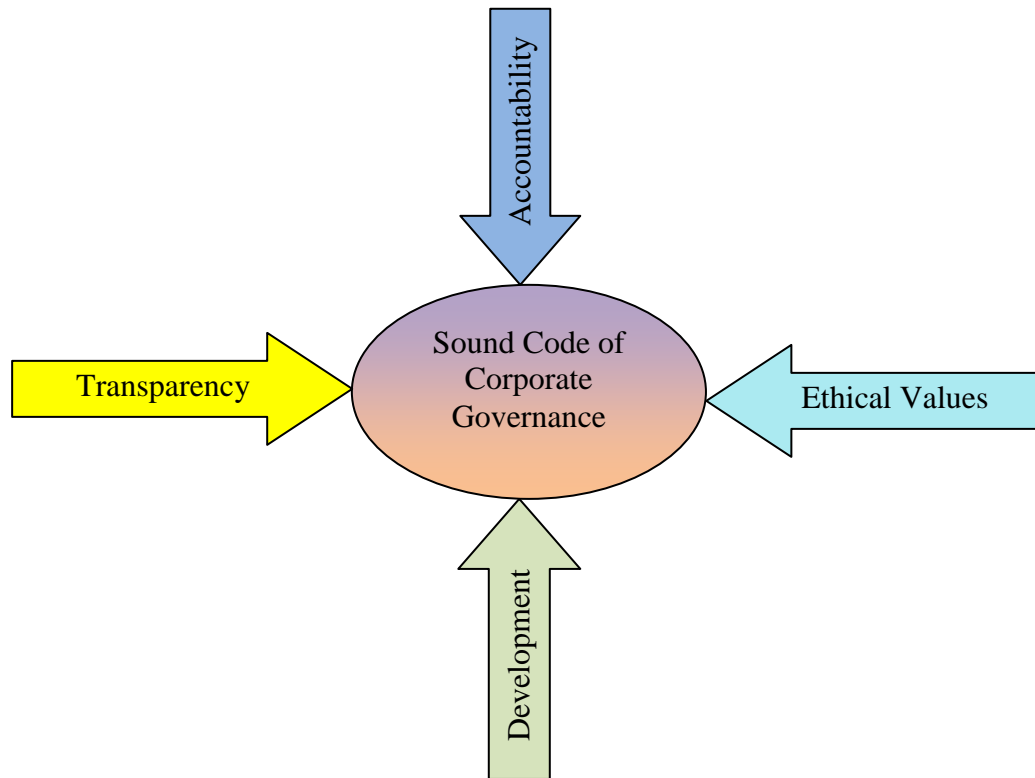


Figure 2. Elements of a Sound Code of Corporate Governance

The elements of transparency, accountability, development and ethical values are applicable for all participants of the private and public sectors. A lack of market discipline and *transparency* could be a deterrent for private companies to participate in stock exchanges which plays an important role in the economic growth and *development* of a country. Furthermore, a lack of effective regulatory frameworks could lead to *unethical* behaviour, economic dismay and exploitation by the state and large competitors. Sometimes, state-owned enterprises set poor examples of good governance as their board of directors do not always display competence in *accountability* that is required for good corporate governance. As such, it can be concluded that the aforementioned elements form a crucial part of good corporate governance for any country, which includes the private and public sectors.

However, according to UNECA (2002), the recognition that the responsibility for governance issues lies first and foremost with the national authorities, African states must commit to improving economic governance, for the following reasons:

- to enhance the ability to implement *development* and poverty reduction policies with scarce resources;
- to execute public management functions in an *accountable* manner;
- to *develop* and implement a credible policy environment in which domestic and international investors can have confidence and trade can be enhanced;
- to strengthen absorptive capacity to attract and mobilize *development* assistance flows;
- to demonstrate *transparent* and participatory economic policy-making and execution as well as an open flow of information available to all stakeholders; and
- to signal an adherence to standards of institutional functioning free of corruption.

Once again, the primary elements of a sound code of corporate governance can be detected in the above reasons, emphasising its importance.

Corporate Governance in Africa

One of the corporate governance initiatives launched by various countries in Africa is the national codes of corporate governance, which are often driven by the private sectors and professional bodies. Of the countries that have published such codes of corporate governance, include, for example:

- Ghana (Manual on Corporate Governance in Ghana, 2000);
- Kenya (Private Sector Corporate Governance Trust, 1999);
- Malawi (Corporate Governance Task Force, 2001);
- Mauritius (Report on Corporate Governance for Mauritius, 2003);
- Nigeria (Code of Corporate Governance for Nigeria, 2003);
- South Africa (Institute of Directors, 1994 and 2002 – King Report – the updated King Report will be released in 2010),
- Tanzania (Steering Committee on Corporate Governance in Tanzania, 2000);
- Uganda (Manual on Corporate Governance Codes of Conduct, n.d.);
- Zimbabwe (Principles for Corporate Governance in Zimbabwe, n.d.); and
- Zambia (Institute of Directors of Zambia, 2000)(Rossouw 2005).

Rossouw (2005) confirms that the national codes all emphasise the ethical nature of good corporate governance and special emphasis is placed on the fact that good corporate governance is based on the following fundamental values:

- Transparency;
- Accountability;
- Responsibility; and
- Probity.

Developing countries usually struggle with constraints and deficiencies relating to economic governance. Therefore, the need for initiatives to: eliminate procedures which facilitate corruption, fraud and criminal activities; strengthen institutional capacity; and to reduce government intervention and allow markets to operate efficiently to stimulate growth and reduce poverty are essential to promote good corporate governance.

In view of the recent global financial crises, it was demonstrated that all developing countries need to put in place and maintain good corporate governance mechanisms which will ensure a stable and transparent environment for economic growth. This would have a positive influence on, for example, allocation of capital, efficient monitoring of assets, the effectiveness of overall corporate performance and improved national economic performance, technology, skills and other important resources to ensure growth and development.

Corporate governance refers to the mechanisms through which organisations and their management are governed. As such, it involves a set of relationships between an organisation's management, its board of directors, its shareholders and its stakeholders. It furthermore provides the structure through which the objectives and the monitoring of performance are determined. As such, various aspects of corporate governance that play a major role to realise the fundamental values and initiatives are, for example:

- The importance of the role of the board of directors;
- Risk management; and
- Reporting and disclosure.

The importance of the role of the directors is probably one of the most important issues of an effective corporate governance code. When analysing the King Report, for example, this issue becomes apparent as indicated next.

Role of the Board

Organisations should have a unitary board of directors with a charter which formalises its roles and responsibilities. These responsibilities should include the following:

- Appoint the chief executive officer and executives.
- Provide strategic direction to the organisation, considering key risk factors.
- Endorse and enforce internal policies and procedures.
- Ensure compliance with all relevant laws, regulations and codes of conduct through specific board committees.
- Ensure that the systems of internal control are functioning effectively.
- Ensure transparency of the organisation's strategy and objectives to all relevant stakeholders.
- Appoint external independent auditors to audit the organisation in its entirety.

The general responsibilities of the board, as discussed by the King Report of 2002, are in agreement with the abovementioned responsibilities. According to the King Report (2002), the board of an organisation and its management has two main responsibilities:

- Firstly to ensure the maximising of long-term benefits to its shareholders in terms of profits, cash flows and minimising risks; and
- Secondly, to other stakeholders to maximise wealth and to ensure the sustained prosperity of the business.

By developing and implementing a corporate governance code, which includes the abovementioned functions and responsibilities of a board of directors, will have a positive influence in establishing an organisation that will add value to the economic growth of a country.

Another aspect that is prominent and requires attention when developing a code for corporate governance is that of risk management.

Risk Management

Many developing and transitional economies, such as African countries, recognize the fact that a healthy and competitive corporate sector is necessary for their sustainable and shared growth and that corporate governance is fundamental for the private sector. As African countries endeavor to attract a share of the foreign investments, it has to assure investors that their investments will be secure and efficiently managed on the basis of a transparent and accountable process. Effective risk management can be regarded as one method of providing assurance of a sound investment to investors.

The King Report (2002) also initiated the development of a corporate governance framework for risk management and to promote the highest standards of corporate governance in South Africa. According to the King Report (2002), risk frameworks, as part of an organisation's corporate governance, must provide assurance with regard to the following:

- Effectiveness and efficiency of operations;
- Safeguarding of assets;
- Compliance with applicable law;
- Business sustainability;
- Reliability of reporting; and
- Behaving responsibly towards stakeholders.

Risk reporting can be regarded as one of the more important components of risk management, which is the process whereby an organisation reports on risk exposures, internally, through its management information system, and externally, to its regulators and shareholders (Young 2006). This is also an important corporate governance requirement that will assist in effective decision-making. According to UNECA (2002), a major element of good corporate governance is effective participatory decision-making. This issue poses a risk to a number of African countries when considering, for example, the local elections. It is stated that the smooth running of elections is still problematic in several African countries, with scores of people, invariably, being disenfranchised leading to poor risk management and corporate governance (UNECA 2002).

Considering the aforementioned and comparing it with the requirements of good corporate governance, namely: it involves a set of relationships between an organisation's management, its board, its shareholders, and its other stakeholders and provides the structure through which the objectives and the monitoring of performance are determined, it is evident that there is a direct correlation between effective risk management and corporate governance.

It is furthermore clear that if an organisation, such as a bank, can provide assurance of complying with the aforementioned governance requirements, they would most likely attract the attention of potential investors.

A South African Perspective

Corporate governance in South Africa was institutionalised by the King Report on Corporate Governance in November 1994. The King Committee was formed in 1992 under the auspices of the Institute of Directors, with the task to consider corporate governance in the context of South Africa. As such, the purpose of the King Report in 1994 was to promote the highest standards of corporate governance in South Africa. Since 1994 a second King Report was drafted (King II) and published in 2002, which are also regarded as the code of corporate governance for South Africa.

As an emerging economy, South African corporate organisations realised the importance of establishing a good corporate governance structure. Aligned with this view, the United Nations Economic Commission for Africa (UNECA) (2002) states that sound economic governance is regarded as being primarily dependent on the strength of its institutional framework, the flexibility, manoeuvrability, and resilience to the changing political, economic and social development and the ability and competence of the personnel to take bold, practical and rational decisions. According to the King Report (2002), there are seven primary principles (characteristics) of good corporate governance, namely:

- *Discipline*: involves commitment by a company's senior management to adhere to behaviour that is universally recognised.
- *Transparency*: the ease with which an outsider is able to analyse a company's actions, economic fundamentals and the non-financial aspects pertinent to the company's business. As such, it measures how good management is in making information available to reflect the true situation of the company.
- *Independence*: includes the extent to which mechanisms have been implemented to minimise or avoid potential conflicts of interests, such as composition of the board of directors and board committees.
- *Accountability*: involves the allocation of accountability to decision-makers. Mechanisms must exist and be effective to allow for accountability. This provides investors with the means to query and assess the actions of the board and its committees.
- *Responsibility*: this allows for corrective action and penalising mismanagement regarding the management of the company. While the board of directors is accountable to the company, it must act responsibly towards all stakeholders.
- *Fairness*: all systems within the company must be balanced in considering all interested

parties and the future of the company. The rights of various groups must be acknowledged and respected.

- *Social responsibility*: a well-managed company will be aware of, and respond to social issues and placing a high priority on ethical standards.

However, as part of the African continent, South Africa also needs to focus on the following institutional reforms in order to successfully promote corporate governance:

- Administrative and civil services;
- Strengthening of parliamentary oversight;
- Promoting participatory decision-making;
- Adopt effective measures to combat corruption and embezzlement; and
- Undertaking of judicial reforms (UNECA 2002).

Although South Africa is regarded as one of the leading countries in Africa regarding incorporating corporate governance, various issues and problems are hampering a successful evolvement thereof. For example, according to Temkin (2008) Brazier, CEO of Deloitte Tip-offs Anonymous, South Africa's senior executives and management have been accused of abusing their powers, mostly for the purposes of fraud and other white collar crime.

With poverty and unemployment on the increase in Africa and South Africa, the government is not always meeting the basic economic needs of South Africans. At an unemployment rate of approximately 40% in 2008, the social justice and development responsibilities are growing concerns, especially issues such as unemployment, housing shortages, education and healthcare. The government implemented the Employment Equity Act of 1998 and the Broad-Based Black Economic Empowerment Act of 2003 to intervene in the economy to achieve some form of economic equality. According to West (2006), much of the rhetoric of the governing party (African National Congress) and the justification for its policies are based on the need to "redress past wrongs" and correct the imbalances and structural faults inherited from apartheid and colonialism.

Regarding social justice and development, West (2006) states that the reality is that the existing corporate environment in South Africa does not incorporate such moral imperatives, but rather promotes the profit motive and, at best, South African corporations adopt a weak form of responsibility towards development. "A macroeconomic strategy which relies on the trickle-down effect of free-market capitalism to meet developmental goals is at odds with an ethics that insists on urgent human needs taking priority over profit maximization."

West (2006) states that a number of criticisms can be raised which question the exposition of African values. First, in an era of increased globalization, society in South African increasingly takes on the values of other cultures, particularly those of the USA. Secondly, the African values mentioned may refer to a romanticized, traditional

African society that has never existed. Thirdly, this view of African values ignores the importance and influence of different groups within South Africa (such as Afrikaners, English-speaking whites, other Europeans and Indians and rural versus urban communities) and the increased integration that has taken place since the end of apartheid. Fourthly, the experiences of ruthless and corrupt dictatorship in other parts of Africa, and lastly, the existence of a new "black elite" that has benefited from a Black Economic Empowerment that has frequently failed in its attempts at being "Broad-Based" and that shows no more evidence of communitarian African values than white business leaders. This all indicates that there is an incompatibility between the South African corporate environment and South African values.

Executive Compensation is another issue at hand. There is a growing gap between executive compensation and those of average workers. This has sparked a series of strikes among workers and unions with the aim to influence companies' wage structures during 2009 (and still continuing).

Mensah, (2003) states that it is becoming increasingly recognised that companies should be managed to reflect the interests of society at large rather than for purely private interests. Corporate governance has been defined in terms of arrangements for protecting the interests of all stakeholders of the organisation.

"For a publicly-owned company with dispersed ownership, the manner of selection of board members is important. For closely held companies with a controlling shareholder, the governance issue revolves around the need to prevent the controlling shareholder from extracting excessive benefits from the corporation at the expense of the minority shareholders (Mensah 2003).

Mensah (2003) states that African capital markets face the following shortcomings:

- Limited listings and illiquidity
- Low investor confidence
- Gaps and insufficiencies of legal framework
- Unsupportive macroeconomic policies.

Experience in other countries indicates that the development of capital market mechanisms for improving corporate governance requires the following:

- Corporate governance codes, which impose restrictions beyond those that are imposed by law.
- A free market for corporate control supports effective corporate governance.
- Efficient, transparent and liquid securities markets provide effective price signals, punishing underperforming companies and rewarding good performers.
- A growing and efficient capital market is usually accompanied by a well developed "reputation industry"

In less developed markets, such as those in Africa, the problems of market inefficiency and illiquidity reduces the effectiveness of market-based discipline through pricing and an active market for corporate control (Mensah 2003).

According to a study performed by Nganga et al (2003) on corporate governance in Africa, the following common issues were found:

- Courts remain slow and inefficient – Although most countries are reviewing their commercial laws to improve shareholder protection and corporate governance principles, in practice the judicial systems remain slow and inefficient. For example, the current political situation in South Africa shows a negative trend in coping with the increase in crime and serious offences. An example is a 42% increase in armed robberies in the financial year (2005/06) in some of the major cities of South Africa as published in the Pretoria News dated 30 September 2006. An increase in other serious reported crime incidents are for example: murder, rape, attempted murder, carjacking etc. A potential result could be that investors will be hesitant to invest in South Africa (and other countries in Africa, as South Africa is regarded as one of the leading countries in Africa along with Egypt and Algeria), which could result in a negative economic growth, increase in poverty and not benefiting from globalisation. As such, it is clear that if these negative criminal offences increase, the economic growth of Africa and South Africa can be seriously threatened. Another example that could pose a serious risk for the South African business, as an example, is the judicial system. Good corporate governance requires an independent judicial system that is impartial, free from interference and renders respected judicial decisions. Disrespect for the judicial system could reflect a negative image and a high risk to potential investors.
- Stock market regulators have emerged as an alternative legal protection mechanism to inefficient courts. Listed companies represent a very small proportion of the total economic activity in the countries surveyed, with market capitalization to GDP ratios less than 25% in most countries, for example:

○ South Africa	123%
○ Egypt	25%
○ Morocco	26%
○ Nigeria	13%
○ Tunisia	12%
○ Botswana	24%
○ Mauritius	24%
○ Kenya	9%
○ Ghana	10%
○ Tanzania	4%

(Nganga et al (2003).

- However, listed companies have the most developed regulation and corporate governance systems as they are subject to multiple layers of regulation by the company law, the listing rules on stock markets, the market regulators, and the banking regulations for financial institutions. Due to the relatively slow and inefficient legal systems, these stock market authorities and regulators have emerged as the protection institutions for shareholders and minorities.
- There exists a general convergence to International Accounting Standards. According to Nganga et al (2003), listed companies in Kenya, Tanzania, Botswana and Mauritius are required to use International Accounting Standards (IAS), while the Egypt General Accepted Accounting Principles (EGAAP) closely resembles the IAS. Morocco and Tunisia have accounting systems derived from French Accounting Standards. South African institutions also conform to GAAP and the IAS.
- Ownership concentration is high. A high level of ownership concentration on most stock markets where owners have sidestepped owner-manager agency problems by acquiring a controlling stake in the business. For example, in Kenya the top five companies represent over half the market capitalization and all have a multinational corporation as the controlling body (for example, Barclays bank, Standard Chartered bank and British American Tobacco). Family control is of a particular concern in Egypt and Mauritius where families have historically been very influential in business).
- Low awareness amongst shareholders and directors. While corporate governance standards have been updated in Africa, there remains a lag in awareness amongst shareholders and directors. However, most countries are aware of this problem and address it in their codes of corporate governance, such as South Africa in the King Report on Corporate Governance of 2002 (Nganga et al 2003).

Most African countries are in a process of adopting an international governance code to deal with corporate governance. However, this proves not to be an easy task. For example, South Africa has a large number of State-owned Enterprises (SOE's) and the Government is struggling to effectively govern some of these. This is illustrated by various large SOE's that were without CEO's (by November 2009), such as Transnet (transport SOE), South African Airways, Eskom (energy SOE), South African Broadcasting Corporation, and ARMSCOR (arms manufacturing SOE). These SOE's form a crucial part of the wellbeing of South Africa and if not governed properly, according to good corporate governance standards, it will have a major negative effect on the South African economic growth and development.

Research Methodology

Notwithstanding the public sector and SOE's, the private sector plays a major role in any country's economic growth and development. Therefore, corporate governance and risk management also form an integral part of the effective management of these organisations. As such, the principles for good corporate governance are also applicable to these organisations. Most South African-based organisations are developing and implementing the primary corporate governance principles in one way or another.

In order to determine the status of development and implementation of good corporate governance in South Africa, it was decided to use a structured questionnaire to determine the degree of development and/or implementation of the basic principles of good corporate governance as identified by the King II report (mentioned earlier). It is a known fact that the banking industry plays a crucial role in the development of any emerging country and usually plays a leading role when it comes to issues such as corporate governance and risk management. South Africa does not differ from this approach and the South African banking sector is one of the leading industries in South Africa. This statement can be substantiated by the Financial Sector Charter which was developed by the banking industry in August 2002, which is a typical example of a code of conduct relating to good corporate governance. Furthermore, the banking industry is also the first to implement the allocation of capital for risks according to guidelines by the Basel Committee on Banking Supervision and regulatory requirements. As such, it was decided to use respondents from the South African banking sector for this survey. The respondents were identified at a junior to middle management level of the banking industry due to the fact that they must adhere to the requirements of the Financial Advisory and Intermediary Act of 2002, which requires most banking staff to have achieved a minimum academic standard as well as their initial exposure (professional experience) to the actual business of a bank within the economic environment. Furthermore, it is usually at this level where good corporate governance principles are implemented.

The questionnaire was, firstly, developed to determine the status of development and implementation of the following primary characteristics of good corporate governance:

- Discipline
- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Social responsibility

Secondly, the questionnaire aimed to determine how the South African Government is performing against the following economic governance objectives:

- To enhance the ability to implement development and poverty reduction policies with scarce resources;
- To execute public management functions in an accountable manner;
- To develop and implement a credible policy environment in which domestic and international investors can have confidence and trade can be enhanced;
- To strengthen skilled capacity to attract and mobilize development;
- To demonstrate transparent and participatory economic policy-making and execution as well as an open flow of information available to all stakeholders; and
- To signal an adherence to standards of institutional functioning free of corruption.

The questionnaire requested respondents to indicate on a 5-point scale their view on the degree to which their organisation adheres to the principles of good corporate governance and, secondly, to what degree the South African Government is performing against typical corporate governance objectives. The following scale was used:

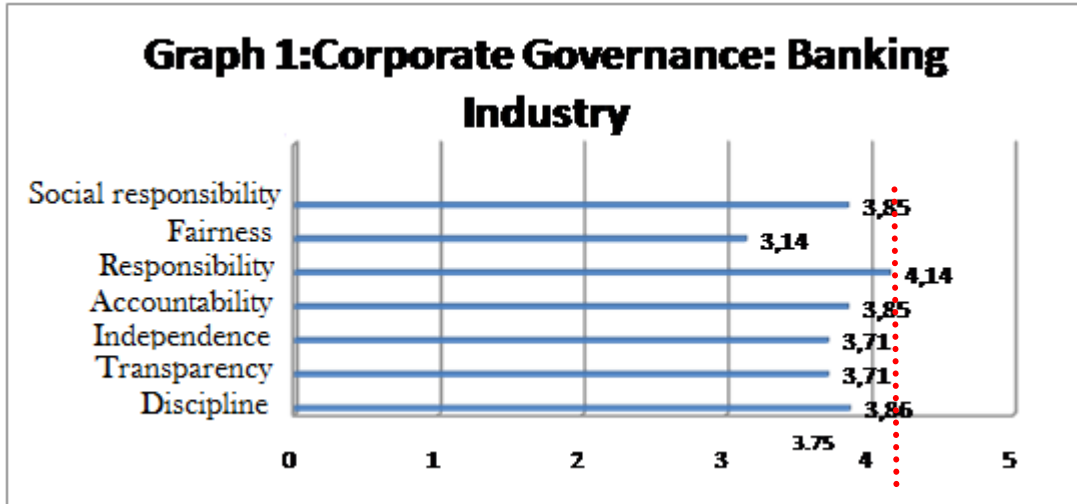
- 1 = not at all
- 2 = to a lesser degree
- 3 = to a degree
- 4 = to a large degree
- 5 = fully

The response was analysed in terms of the average score for each question in terms of the 5-point scale.

Research Results

The questionnaires were randomly distributed to employees of banks in South Africa. A total of 80 questionnaires were dispatched and 38 were returned on the due date, which represents a 48% response. Although, the results might be subjective in the sense that it represents the views and opinions of only junior to middle management members of the banking industry, the result could be used as an indication of how these respondents are experiencing the development and implementation of good corporate governance within their immediate environment (banking industry) and the government's overall performance in terms of specified typical corporate governance objectives, which is general information available to a large percentage of the public through the media.

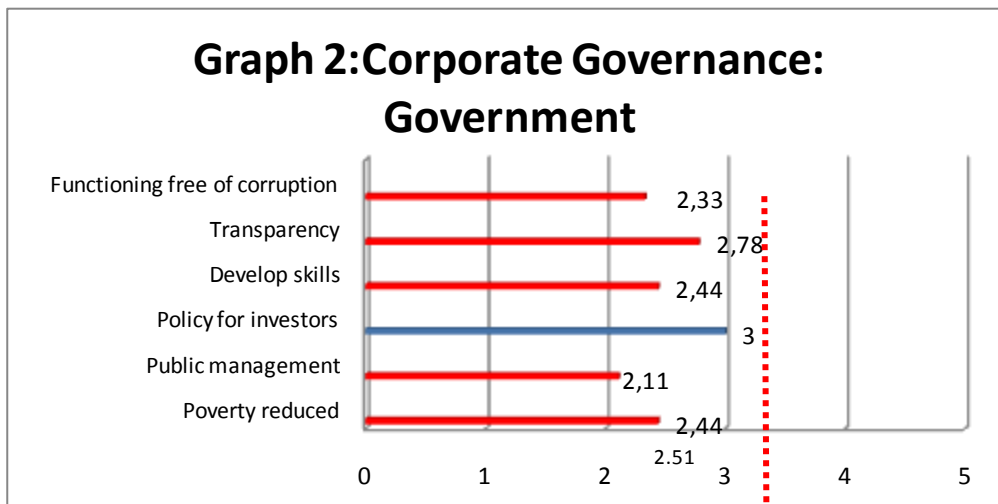
According to the response the average score for the development and implementation of the 7 corporate governance principles in the banking sectors is 3.75, indicating that the banks are implementing these principles to a large degree. (Graph 1).



The principle which were rated the highest was responsibility, indicating that mismanagement is not tolerated and that the board of directors act responsibly towards all stakeholders. The principle which scored the lowest rating is fairness, indicating that not all groups are acknowledged and respected.

However, the score still indicates that fairness is implemented to an acceptable degree.

The response in terms of the Government's performance relating to the corporate governance objectives is illustrated in graph 2.



The average score for all 6 objectives is 2.51, indicating that the Government is performing to a lesser degree against the objectives of corporate governance. In total only one objective is at an acceptable performance level according to the response. This objective, which scored the highest rating, is the development of a credible policy environment in which domestic and international investors can have confidence and trade can be enhanced. This point can be substantiated when analysing the influences of the recent financial global crises where the South African markets were not influenced at the same severity levels as other countries such as the USA and UK. Therefore, according to the response the Government is performing to an acceptable degree in this regard. On the other side, is the lowest rating of 2.11 for

executing public functions in an accountable way. This correlates with, for example, the statement made previously regarding the inefficient way that the Government is handling the SOE's.

Conclusion

Although African countries across the continent are at various stages of implementing corporate governance codes and principles, most of these initiatives are being hampered by problems of corruption, inadequate infrastructures and cumbersome bureaucratic procedures.

According to the research results, it can be concluded that most of the large corporate organisations are adhering to the principles of good corporate governance, although the performance of

the South African Government, measured against certain corporate governance objectives, requires attention to ensure a positive contribution to embed good corporate governance and economic growth.

However, corporate governance is an issue being reported on daily by the media and addressed by the Government and corporate organisations, indicating a positive awareness of the topic. This will ensure an active development and implementation of the basic principles of good corporate governance. In addition, the next King Report (King III) on corporate governance is currently being launched in South Africa, which should add further value to embedding an effective code of corporate governance in South Africa.

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