



The State of SOEs & Public Entities, and related reforms undertaken to achieve alignment and efficient

CIGFARO Annual PFMA Workshop

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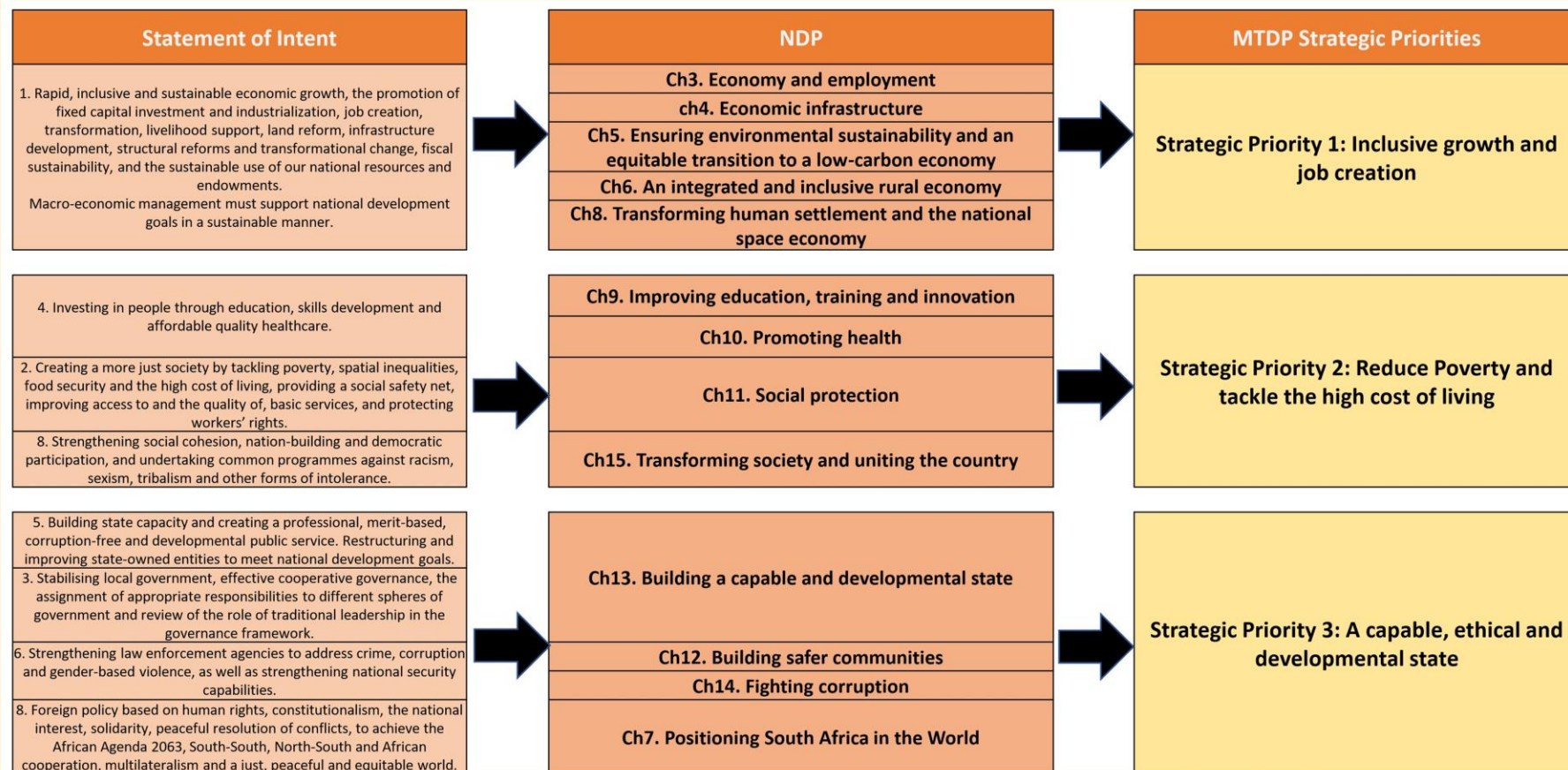
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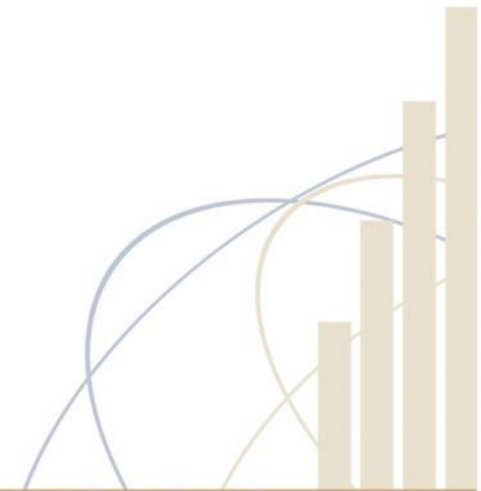
Background: SOE Service Delivery Context

Aligning the SOI, NDP & the MTDP Strategic Priorities



Good Corporate Governance: Promoting Ethical Culture

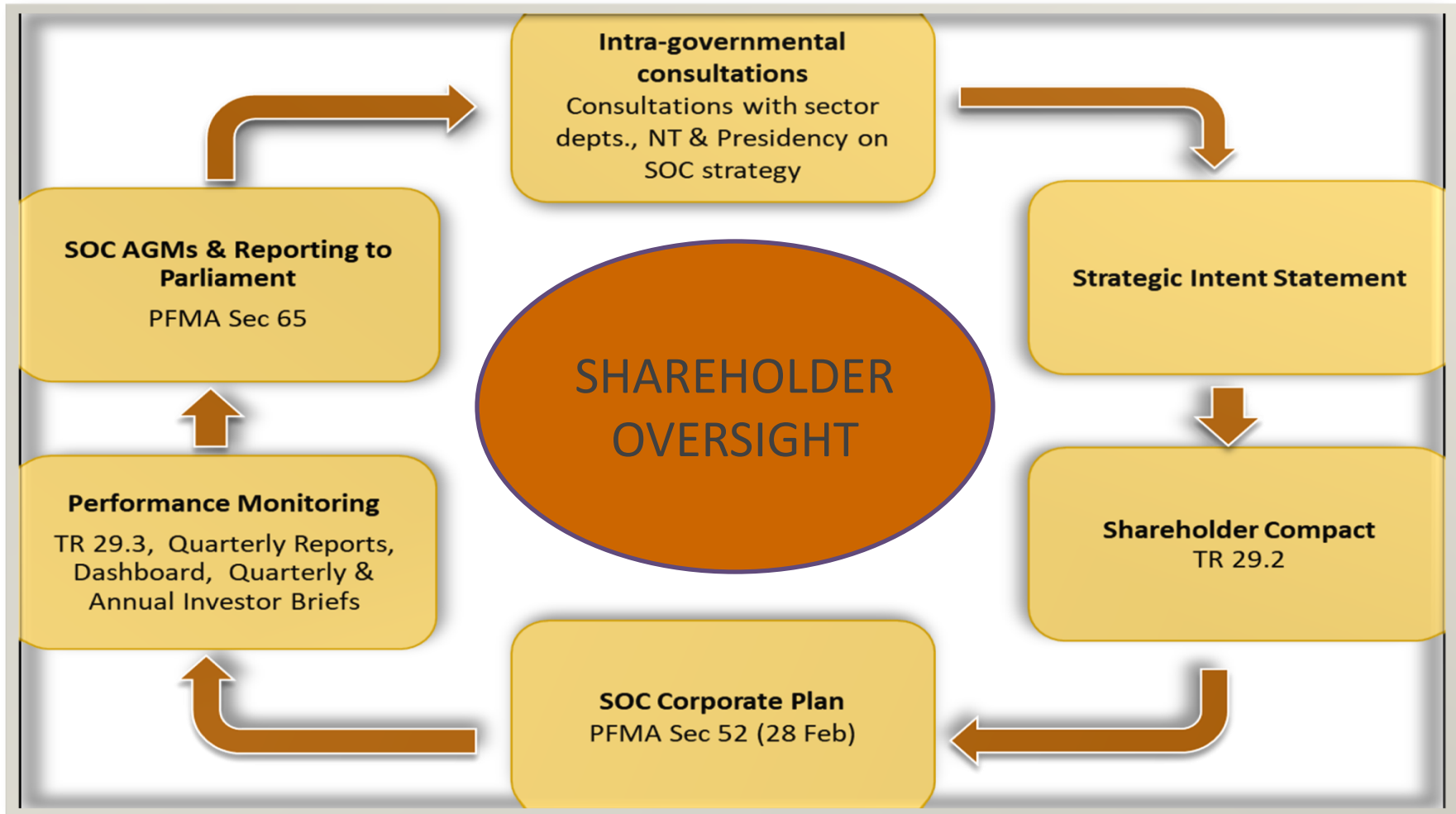
- **Promote the rights and equitable treatment of shareholders and key ownership functions**
 - ✓ Shareholder step in rights
 - ✓ Access to information
 - ✓ Value creation through significant investments
 - ✓ Set out the responsibilities of the board of directors
- **Foster transparency and accountability**
 - ✓ Disclosure of material information
 - ✓ Consideration of sustainability risks and opportunities
 - ✓ Executive remuneration
 - ✓ Board Performance Evaluation
- **Promote access to finance**
 - ✓ Reduce reliance on fiscus
 - ✓ Attract investors - capital markets
- **Promote innovation and entrepreneurship**
 - ✓ Economic transformation
 - ✓ Sustainable development
 - ✓ Adaptability and Resilience



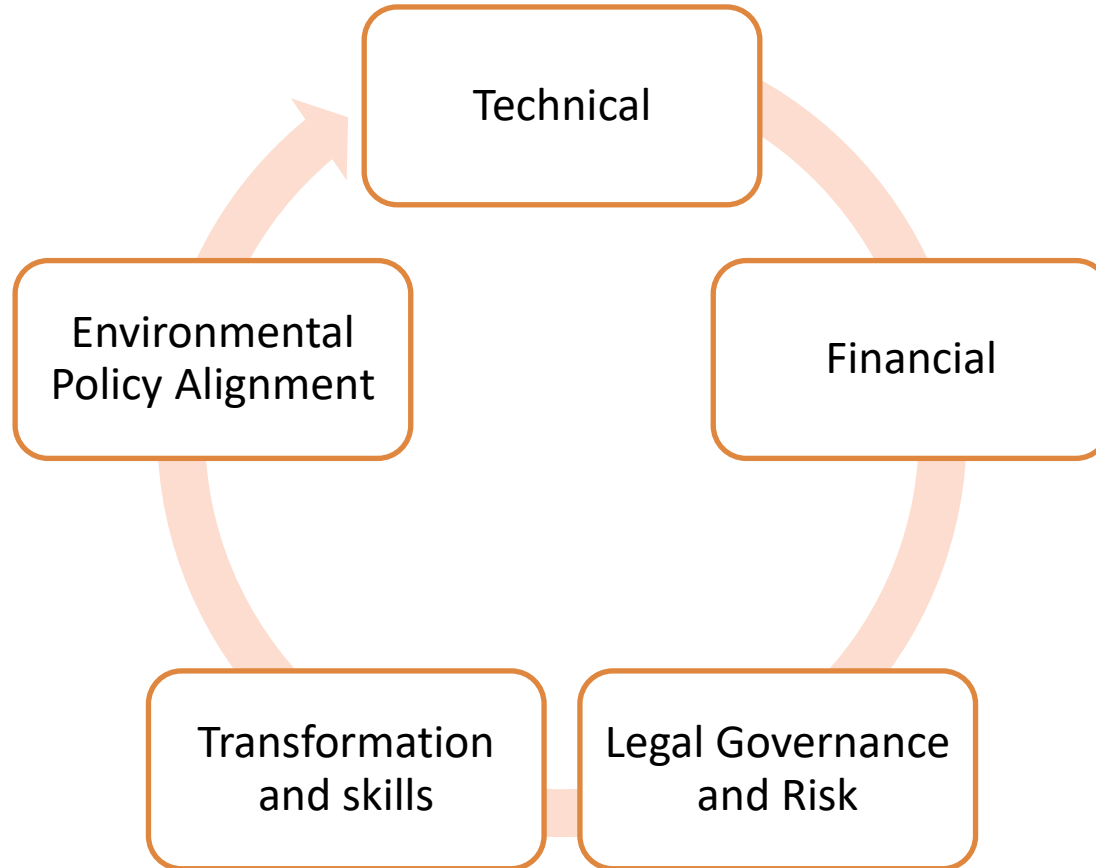
Shareholder and Board Relationship

Governance Partners	Key Responsibilities
<p>Shareholder</p> <ul style="list-style-type: none"> ■ PFMA and Treasury Regulation ■ Companies Act (MOI) ■ King Codes ■ Protocol on Corporate Governance 	<ul style="list-style-type: none"> ■ Appointment and removal of board (incl. concurring on CEO and CFO) ■ monitor and evaluate performance ■ Approve remuneration of directors and remuneration policy ■ Regulate major transactions ■ Approve appointment and removal of auditors
<p>Board of Directors</p> <ul style="list-style-type: none"> ■ Shareholder Compact - Performance Contract ■ SMF - Delegation of Authority 	<ul style="list-style-type: none"> ■ Accountable for the performance of the SOE to the shareholder ■ Appoint (in concurrence with shareholder) the CEO and CFO ■ Strategic plan and corporate policies ■ Monitor management's implementation of strategy and compliance with policies ■ Ensure SOE's compliance with prescripts and government policy

Overview of the SOE Governance Model



Oversight Role



The entity oversight teams execute their functions following the Department's Logical, Planning, Monitoring And Evaluation Framework.

Setting the Tone on Ethical Culture

PFMA Section 50 – Board Fiduciary Duties

- Exercise utmost care to protect company assets and records.
- Act with fidelity, honesty, integrity, in the best interests of the company, in managing the financial affairs of the company.
- Disclose to the executive authority all material facts, including those reasonably discoverable, which in anyway may influence the decision of the executive authority.
- Must not use position for personal gain, or to improperly benefit another person.
- Must disclose direct or indirect interests.

Companies Act Section 76 – Director Duties and Responsibilities

- Perform duties in good faith, in the best interest of the company and with care, skill and diligence that may reasonably be expected of a person carrying out such functions and having the same skill and experience of that director (i.e., the reasonable man/woman test).
- Disclosure of material information.
- Use position and information for company's benefit.
- Disclose any conflict of interest (Section 75).

Setting the Tone on Ethical Culture

The Companies Act, No. 71 of 2008

- SOE must constitute a Social and Ethics Committee (“the Committee”) in accordance with Regulation 43 of the Companies Regulations.
- **Key Responsibilities of the Social and Ethics Committee are to monitor SOE’s activities with regards to:**
 - ✓ Social and economic development.
 - ✓ Good corporate citizenship.
 - ✓ Environment, health and public safety.
 - ✓ Consumer relationships.
 - ✓ Labour and employment.
 - ✓ Ensure SOE has and maintains an effective anti-corruption and fraud prevention system.
 - ✓ Report matters within its mandate to the Board and to the company’s shareholders at the AGM each year.

Setting the Tone on Ethical Culture

King IV Report on Corporate Governance

- The board of a SOE must ensure effective leadership based on an ethical foundation.
 - ✓ The exercise of ethical and effective leadership is exemplified by achieving an ethical culture, good performance, effective control, and legitimacy
- Companies should create an ethical culture that allows the organisation to meet the *legitimate expectations* of its stakeholders.
- **Ethics accountability and responsibility:** The degree to which employees are held accountable for their conduct and decision-making and whether fair and transparent sanctions are enforced for unethical conduct.
- **Ethics talk:** The degree to which an environment is created where employees can openly discuss ethics and ethical consequences of actions and business decisions.
- **Ethical treatment of people:** The degree to which employees feel they are treated with respect, dignity and fairness in the organisation.
- **Ethics awareness:** The degree to which employees are aware that ethics is important for business.



“Trust is blind, but when it sees, it gains sharp vision...it neither forgives mistakes nor accepts excuses.

The loss of trust is worse than the loss of people...it is not betrayal that hurts, but the feeling of foolishness that follows.

It is not disappointment that makes us cry, but the blind trust placed in the one who caused”.

Mar English

Elephant in the Room



Pathology of Perfectionism vs Ethical Sustainability

Reforms: Transparency and Accountability

Risk and Sustainability Reporting

- Lack of Standardised Reporting
- Integration between Risk and Performance Management
- Decentralised Operations
- Information Integrity
- Reliance on Fiscus
- Training on Policies and Procedures

- Outcome-Based Performance Management
- Corporate Plan – Multi-Year Projected Risk Exposure
- Risk Mitigation - Board vs Shareholder Role
- Ethical Sustainability

Conflict of Interest

- Board Tender Committees
- Assurance Value Chain
- Financial Disclosures
- Contractor Probity Checks
- Financial Disclosure
- Procurement (Emps, Boards)
- Who knows who factor!
- Employment Opportunities

- Memorandum of Incorporation
- Fin Disclosures (Directors and Emps)
- Sub-contractor probity checks
- Business Partners (PEPs, Family, Emps, Family Members)
- Restraint of trade
- Prohibitions: Donations, Gifts, Loans, Remunerated Work, Contract Award

Vetting, Background Checks, Integrity Assessments

- Integrity of Procurement Decisions
- Security Clearances (Backlog, Classification, SSA)
- Personnel fitness to hold office
- Poor Whistle-Blower (WB) Protection
- Repurposing of WB Processes
- Backlog on WB Reports
- Maladministration reporting to SH Inadequate

- Independent DDA
- Business Partners (Anti-Corruption Policies, Previous Records, Pending Cases, Vulnerability to Bribery, Fin. Position, Functional Capability(SOE vs State vs BP))
- Emps (Security Clearances, Periodic Checks, Proactive Disclosures, Sensitivity of Position)
- Organograms Reviewed
- Case management standards
- Referrals (SIU, CIPC, Professional Bodies, Central db on emps)
- Board Evaluation (Ethics KPIs)
- National State Enterprises Bill



RESPECT

ETHICS

INTEGRITY

HONESTY

THERE ARE MANY THINGS TO WHICH WE MIGHT COMMIT OURSELVES.

A case can be made for the arbitrary and even **meaningless** nature of any given commitment, given the plethora of **alternatives**, given the corruption of the systems demanding that commitment.



@Jordan.B.Peterson



When you face a challenge, you grapple with the world and inform yourself. This makes you more than you are. It makes you increasingly into who you could be.

— Jordan B. Peterson —



But the same case cannot be made for the fact of commitment itself:

THOSE WHO DO NOT CHOOSE A DIRECTION ARE **LOST**. IT IS FAR BETTER TO BECOME **SOMETHING** THAN TO REMAIN **ANYTHING** BUT BECOME **NOTHING**.

@Jordan.B.Peterson

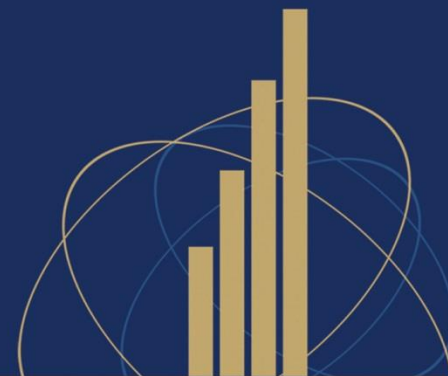
THIS IS DESPITE ALL THE GENUINE LIMITATIONS AND DISAPPOINTMENTS THAT BECOMING **SOMETHING** ENTAILS.



@Jordan.B.Peterson



Thank You!



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